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## **Soviet Union**

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### ***EKO: ECONOMICS & ORGANIZATION OF INDUSTRIAL PRODUCTION***

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# Soviet Union

## EKO: Economics & Organization of Industrial Production

### No 11, November 1987

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## Editorial on Restructuring of Management of Economy

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[Article by A. G. Aganbegyan, academician-secretary of the Economics Division of the USSR Academy of Sciences: "A Program for Radical Restructuring"]

[Text] During the past 2 years an immense amount of work has been done in our country to create an integrated management system. The June (1987) Plenum of the CPSU Central Committee occupied a special place in this work. It was programmatic in nature. Key issues related to the restructuring of all economic life and a radical reform of the economic mechanism were resolved at it. It is important to emphasize the democratic nature of the preparations for the plenum. The draft law concerning the state enterprise was prepared with the participation of enterprise managers and scholars. The discussion of the law was nationwide, and 180,000 additions and changes were submitted, which were considered by a special commission. As a result, the draft law was significantly elaborated and developed. Its point was based on the development of drafts of 11 decrees concerning the restructuring of planning, price setting, financing, material and technical supply, and the work of banks, agencies for labor and social problems, the State Committee for Science and Technology, branch ministries, republic and local agencies, and the apparatus of the USSR Council of Ministers. The summary document, which was approved at the Plenum Central Committee, became the Basic Provisions for a Radical Restructuring of the Management of the Economy. The experience in the first step of restructuring was generalized and evaluated. Here problems of management were considered against the background of the overall process of renewing social life. All of the aforementioned determined the landmark nature of the July Plenum for the life of the country. It completed the development of the integrated concept of restructuring.

### The Path of Changes is the Path of Search

In order to construct an integrated concept, it was necessary to analyze a large amount of historical material and consider the results of experiments.

As we all recall, this concept was raised at the April (1985) Plenum of the CPSU Central Committee. It did not come out of thin air, but merged into one the experience in improving the system of management and the economic mechanism in the USSR and other socialist countries. The main thing was that issues of management were considered for the first time from the standpoint of a strategic task—the acceleration of the country's socioeconomic development.

The concept of the restructuring of management was subsequently developed at the 27th CPSU Congress. By that time it was clear that we would not achieve the expected results through partial improvements. It was necessary not to update individual elements of the economic mechanism and management, but to radically restructure the management system as a whole. This was confirmed by numerous experiments in the branches and the individual enterprises. The proclaimed independence of the enterprises was realized with immense difficulties since they retained the old practice of handing down from above to below detailed assignments as well as their material and technical support. The shortcomings of price setting had a strong impact and the enterprises were oppressed by the fixed system for financing and the excessive control and supervision on the part of the banks. As before, the ministries and territorial agencies used mainly administrative methods.

During the course of the experiment it became clear that the restructuring of the economy was closely linked to restructuring of other spheres of social life, above all political and ideological. It is impossible to restructure the economy without significantly changing the work of party organizations, soviets of people's deputies and information agencies, without creating the corresponding sociopolitical and moral-psychological climate in the society.

A logical consequence was the January (1987) Plenum of the CPSU Central Committee, which proclaimed a course toward widespread democratization of the life of the society. A good deal of time has passed since then, but we see how significantly the country's sociopolitical situation has changed. This is especially noticeable if one compares the newspapers, magazines, movies, performances, and the work of creative unions before the restructuring and in our day. There has been a certain improvement of the society's health, criticism of shortcomings has been extensively developed, the disparity between word and deed has decreased, and reliance is placed on truthfulness, candor, and confidence. One might say that it has become easier to breathe, and this also aids in the transformation of the economy.

A responsible period has begun—before the end of this five-year plan it will be necessary basically to form an integrated management system and underneath the 13th Five-Year Plan it would be necessary to come up with a new economic mechanism.

When speaking of the radical reform of management we emphasize that we do not intend to deny a single one of the real conquests of socialism and we do not wish to forgo our advantages. The new economic mechanism is based on the predominance of socialist and above all national property, planned development, distribution according to labor, democratic centralism, activation of commodity and monetary relations, and so forth. The laws and categories of socialist management are being

developed and enriched during the course of the restructuring. The principle of "more than socialism" raised by M. S. Gorbachev is the fundamental one in the consideration of all the aspects of the transformation of the economic system.

What then is so radical about the management reform? The radical part lies in the changeover from administrative to economic methods of management and the development of economic democracy. In order to become convinced of the legitimacy and inevitability of this changeover, we will have to turn to history once again.

The old economic mechanism was formed basically under extreme conditions of the country's development: the overcoming of the extreme backwardness, the repulsion of military aggression, and the restoration of an economy that had been destroyed by war. During those difficult years it provided for solving difficult problems, although one must recall that the dominance of administrative methods, the bulkiness of the management staff, the command-order style, the authoritarian nature of the regime, the suppression of democracy, and the detailed regulation were accompanied by a multitude of negative consequences. The negative features of the economic mechanism were especially appreciable in agriculture and the sphere of services. It is no accident that these were the spheres that turned out to be the most backward.

During the postwar years the objective conditions for management changed radically and the administrative system for management began to impede our development. The situation in agriculture was especially intolerable. At the September (1953) Plenum of the CPSU Central Committee, the first significant step was taken in the direction of economic methods of management: state procurements were abolished, purchase prices were raised, taxes were reduced, and the kolkhozes and sovkhozes were given greater independence. It was predictable that during the next 5 years agriculture took off, as it were. The production of agricultural products increased annually by more than 7 percent, including 4-5 percent as a result of increased productivity of crops and livestock and 2-3 percent as a result of expansion of the planted areas (with the assimilation of virgin land) and the growth of the number of product livestock.

But at the end of the 1950's administrative methods prevailed again in agriculture, and it was as though agriculture had stumbled against an obstacle and its rates decreased sharply. There was a great shortage of meat, milk and grain. In 1962 it was necessary to increase retail prices for meat and dairy products and to introduce restrictions on their sale.

Administrative methods of management also retarded the development of industry, and this became especially noticeable beginning at the end of the 1950's. The growth rates of the production of industrial products and consumer goods began to drop in spite of the immense

capital investments and the enlistment of additional labor and raw material resources. As a result there was also a drop in the growth rates of labor productivity, the output-capital ratio began to decrease (it had been increasing before this, and the reduction of the material-intensiveness of the product came to a halt.

The full-blown crisis phenomena were partially overcome during the course of the economic reform of the middle of the 1960's. The March (1965) Plenum of the CPSU Central Committee concerning agricultural questions and the September (1965) Plenum on questions of industry placed reliance on expanding the independence of enterprises and changing over from administrative to economic methods of management. And this immediately produced results.

Under the 8th Five-Year Plan (1966-1970) as compared to the period preceding it the growth rates of agriculture increased by a factor of almost 2 in the productivity of public labor—by a factor of 1.5, the output-capital ratio in industry ceased to decrease, the turnover of circulating capital in the national economy accelerated, and the norms for the consumption of fuel and raw materials decreased significantly. The growth of national income used for consumption and accumulation under the 8th Five-Year Plan amounted to 41 percent as compared to 32 percent for the preceding 5 years, and the increase in real incomes of the population was 33 percent.

But the economic reform of 1965 was not comprehensive and it was not reinforced by the appropriate investment and scientific-technical policy. Management in the upper echelons remained primarily administrative, and the steps taken for the development of democracy and for the restructuring not only of the economy but of other spheres of social life turned out to be too timid. As a result contradictions arose between the new conditions for management in the basic production unit and the old administrative methods of work of the planning, financial, supply, and other organizations. The restructuring of management that had been started entered into conflict with the traditional social system and the command-order methods of leadership. And under the pressure of administrative forces there was regression: the number of address indicators increased again and there was more petty meddling in the affairs of enterprises and kolkhozes.

The return of administrative methods was not slow in being reflected in the rates of economic development. Under the 9th Five-Year Plan, while the increase in resources remained approximately the same as under the 8th, the rates decreased sharply: for the national income—from 41 to 29 percent, for agriculture—from 21 to 13 percent, and for industry—from 50 to 43 percent. There was a retardation of the growth of labor productivity, the output-capital ratio dropped rapidly, and savings on fuel and raw materials came to a halt.



Under the 10th and 11th Five-Year Plans the reduction of the rates of economic development was exacerbated by the reduction of the increase in resources that was started, mainly of fuel and raw material resources, and also capital investments. The rates of increase of the national income dropped to 21 percent under the 10th Five-Year Plan and 16.5 percent under the 11th. Here it is necessary to take into account that under the 11th Five-Year Plan some of the increase in national income was obtained as a result of the fact that there were more imports than exports.

It is appropriate to note, moreover, that the statistical data concerning the increase in national income and the gross output do not sufficiently take into account the real increase in prices, particularly for consumer goods, equipment, and construction and installation work. Therefore the rates of increase in the national income started above for the 10th and 11th Five-Year Plans are too high. In reality, for a number of years, especially 1979-1982, the actual growth of the national economy came to a halt and there was stagnation. A precrisis situation developed. Suffice it to say that for 40 percent of the kinds of industrial products for which the USSR Central Statistical Administration publishes data, there were reductions of the production volume. During all these years agricultural production decreased as well, and the 1978 level was not surpassed. The gross figures for construction were also imaginary. If one calculates according to the final results (startup of production capacities and facilities), the volumes of startup decreased. Moreover, supplies in the national economy grew twice as rapidly as production. Disproportions became worse and the disparity between the effective demand and materials to cover it increased. The growth of real income came to a halt and for individual groups of the population they even started to decrease. Stagnation phenomena developed extensively.

But the main losses were hidden not in the sphere of material production but in the area of human relations. There was an appreciable deterioration of the attitude toward labor, the growth of its productivity actually came to a halt, and there was a flourishing of "equalizing" in wages, bribery, speculation, the use of the job position for personal purposes. They would say one thing and do another. Many workers became apathetic, and indifferent and decreased responsibility became typical.

The party found within itself the forces to put a stop to these dangerous tendencies. At the November (1982) Plenum of the CPSU Central Committee, under the leadership of Yu. A. Andropov, a policy of strengthening labor and production discipline, law and order, and increasing personal responsibility at all levels of management was proclaimed. Steps were taken for expanding openness, developing criticism and self-criticism, and fighting against corruption and other negative phenomena. A certain improvement in public life began and this could not but be reflected in production. By the end of

the 11th Five-Year Plan the rates of economic development had increased somewhat, but the structure of the economy remains the same old ineffective one. As before, administrative methods of management prevailed and advances were accompanied by declines. It was clear that it was impossible to improve things radically by using arbitrary methods.

And it was only the April (1985) Plenum of the CPSU Central Committee that developed a broad program for escaping from the difficulties that had been created and earmarked ways of accelerating the country's socioeconomic development. A course was taken toward restructuring all aspects of our public life, toward glasnost and democracy, a new scientific-technical, investment and structural policy was proclaimed, and a course was taken toward technical reconstruction of all branches of the national economy on the basis of more rapid growth of machine building.

A large landmark in the implementation of these ideas was the July (1985) Plenum of the CPSU Central Committee on questions of accelerating scientific and technical progress. It reinforced a significant change in the direction of solving social problems, and it rejected the residual principle of allotting funds for the social sphere.

Thus by the middle of the 1980's not only had we formed an understanding of the need for restructuring, but we had also developed its concrete areas and determined the range of problems.

#### **The Major Units—Reform of Management**

But intensification, scientific and technical progress, and strengthening of the social direction became hung up on the existing system of management as an obstacle. It comprised the basis of the mechanism for slowing down. It became clear that only a radical reform of management could serve as the main unit in the solution to strategic problems related to the acceleration of socioeconomic development.

What should we reject and where should we arrive during the course of this radical reform?

Administrative methods of management are based on address-directed assignments of the state plan which are handed down each year from above to below: from the Gosplan to the ministries and republics, and from them—to the associations, enterprises, kolkhozes and sovkhozes. This is the basis of the command-order system of management of the economy, which has become outdated and ineffective. It is now intended to scrap it. From now on the enterprises and associations will formulate their own plans and approve them themselves and there will be no handing down of the plan. An enterprise when it undertakes to draw up the plan for the next year first of all forms a portfolio of orders on the basis of applications from consumers. State agencies can be consumers. The state order encompasses only part of

the products and the proportion will decrease from year to year. The state order pertains primarily to products for the needs of defense, supplying large construction projects, and satisfying state needs for the most important products. The system of state orders, as a rule, will not affect the production of consumer goods or the sphere of services. There the plans will be formed on the basis of orders from trade, that is, depending on the demand of the population. It should be noted that state orders do not comprise the old address assignments, which presuppose the responsibility of only one producer. No, when the order is made an agreement is concluded with mutual responsibilities: the state agency is obligated to pay for the order, supply the manufacturer with the appropriate technical documentation and capital investments within the necessary time periods and assign a limit for certain centrally distributed production funds and, possibly, also currency for purchasing materials and batching items abroad.

The state order (a system of state orders has long been practiced in foreign countries, including capitalist ones), as a rule, is more advantageous and guarantees the sale of the product. With correct arrangement of things the enterprise should strive to obtain state orders. Therefore it is envisioned to grant state orders through competition among the partners in research.

Having filled the portfolio of orders, at stable economic normatives that are established before the beginning of the five-year plan, the enterprise calculates its major economic indicators. It clarifies the volume of products produced taking into account the level of state and also free prices. Payment for resources, deposits into the state budget, and the forms of the ministry and local agencies are also calculated. If necessary, credit is taken out and relations with the bank are determined. As a result the enterprise has cost-accounting income which the labor collective disposes of independently. The wage fund, which depends directly on the results of the final activity, is determined according to the normative. If the collective adopts an easy plan, concludes fewer agreements, and will have a smaller sum of orders, its wage fund will be correspondingly less and the profit left at its disposal will be more modest. This same profit determines the fund for the development of science and technology (with the addition of amortization deductions and earnings from the sale of unnecessary equipment). The fund for housing and social-cultural construction and the material incentive fund are calculated subsequently. Once every 5 years, approximately a year before the beginning of the five-year plan, the enterprise receives from the higher organization control figures for the next five-year plan along with the economic normatives. The control figures must not be a new form of handing down the state plan. In the first place, they are not detailed as the current state plan is, which includes hundreds of indicators. In the control figures, for the orientation of the enterprises, they give the minimum level of effectiveness and set tasks of a social nature. But these figures are not directive and do not bind the enterprise when

developing the plan; they leave the enterprise safe for selecting effective solutions and reliable partners. It is important that the figures are not broken down for the various years while the existing detailed plans are not only five-year plans, but also annual plans. This fundamentally new policy for planning proceeds from the idea that enterprises and associations will change over to independent, self-support, self-financing, and self-management. These four features comprise the essence of the new economic position of the enterprise. Only under these conditions will the labor collective be able to become the master, owner, and disposer of the means of production allotted to him. Then the enterprise will be changed over to complete cost accounting and all expenses will be covered through their own incomes.

At the present time the enterprise's incomes cover only current expenditures, and most of the capital investments are made from centralized funds. Complete cost accounting presupposes first and foremost complete self-support, whereby the income from sales of the enterprise's products cover both current and capital expenditures.

Another aspect of complete cost accounting is related to the withholding from the enterprise of payments for all kinds of resources that are utilized: natural, labor, and production capital. At the present time, as we know, there are almost never any payments for natural resources and there is no payment for utilized labor force either. Payments for natural resources are substantiated by differential rent, the payments for labor resources are to be reimbursed through payments from the Society for the Reproduction of the Labor Force. These payments significantly exceed the average wages and act as public consumption funds, subsidies to retail prices, low apartment rents, and so forth.

A key issue in the changeover to economic methods of management is the substantiation of normatives that are to become the main regulators of the enterprise's activity. It is clear that the normative should be stable and established for a minimum of 5 years. But this is not enough. The normatives can be both individual and group. If one establishes normatives for each enterprise individually, they may be little different from the direct address planning. This precisely what happened in the automotive industry, instrument building, petroleum processing and the petrochemical industry when enterprises of these branches were changed over to self-financing beginning 1 January 1987. The justification for the individual normatives was the reference to the assignment of the five-year plan (address assignments) which had to be maintained by expressing them in a different form. The month during which these enterprises worked under self-financing clearly showed that there was no appreciable increase in effectiveness here. These branches are operating no better than branches of machine building that are similar to them and have not been changed over to the system of self-financing. In a word, they made a mountain out of a molehill. This could have been anticipated because the individual

normatives give rise only to administrative methods of management. This way the enterprises that end up in the worst position are the best ones which deduct the highest percentage of profit into the budget, and the backward enterprises achieve the benefits. Expenditures planned in the past, whether they were justified or not, are automatically covered with this approach. For example, at one time the ZIL drew up a plan for reconstruction that was oriented toward funds from the state budget. They spared no money and the expenditures turned out to be immense. A new truck with the same capacity as the old one was designed to be heavier and its cost increased appreciably. Although the output decreased there was to be an increase in the number of workers. This plan for reconstruction was criticized by M. S. Gorbachev. Then it was quickly "perfected," by reducing the planned number of personnel, by acquiring additional capital investments for the "release" of these workers.... I think that if the ZIL had drawn up a plan for reconstruction using credit, as foreign automotive firms do, even with 8-12 percent annual payment for credit, the plan for reconstruction would have been significantly different.

When changing over to self-financing, the ZIL was left with almost all the profit that it received because of incorrect, excessively high prices for uneconomical outdated trucks that it produced. And this profit goes for financing reconstruction. In other words, budget financing was actually retained and the state takes an insignificant percent of the profit from this association. And yet KamAZ, where reconstruction is not yet necessary, turns over not only a significant percentage of its profit, but also a large part of the amortization without providing even for simple reproduction of capital but rather putting off this reproduction for an indefinite period of time.

The matter would appear quite different if a unified economic normative were introduced. For example, all enterprises, regardless of their profitability, could be obliged to deduct half of their profits into the budget and keep the rest. It is understandable that highly profitable enterprises would be in the best position and the least profitable ones would be in the worst position. A single percentage of tax on profit has been established in many capitalist countries and it is a good incentive for increasing profitability.

Restructuring of prices, the finance and credit system, and material and technical supply is of fundamental significance under the conditions of complete cost accounting. An enterprise can be independent only when multichannel wholesale trade has been introduced, which also includes direct commercial ties. It should have the opportunity of selecting the supplier. For the existing centralized supply according to funds and orders is the main bearer of administrative methods of management and it deprives the enterprise of freedom of action.

Therefore the replacement of centralized supply with trade in means of production is perhaps the most significant measure on the path from administrative to economic methods.

What is standing in the way of this changeover? In the first place, the existing "expenditure" price system. The price of fuel oil, for example, in many regions is lower than the price of coal. But if we change over to wholesale trade in fuel oil, it turns out to be advantageous to burn it instead of coal in furnaces of electric power stations, to construct fuel oil boilers, and so forth. But from the standpoint of the state this is absolutely disadvantageous. On the contrary, we should reduce the consumption of fuel oil. At the present time about 200 million tons of it are consumed in the USSR, 4 times as much as in the United States. We need to significantly raise the prices for fuel oil as, incidentally, for other kinds of fuel and raw material as well, bringing them closer to the world price level.

It is important to differentiate prices for various kinds of products taking into account their quality and the effectiveness of consumption. In a word, a global price reform is needed: wholesale and procurement prices in agriculture, tariffs, and retail prices.

Let us assume now that prices have been correctly established, they correspond to socially necessary expenditures, and they take into account the differentiated payments for all kinds of resources. Is this sufficient for a changeover to wholesale trade? No, it is not. Because in addition to prices there is also money. A changeover to wholesale trade is impossible as long as there is surplus money in circulation in the national economy. Surpluses of it come about primarily as a result of credit, which until recently has not been strictly reimbursable. The kolkhozes and sovkhozes alone are in debt to the bank for almost 100 billion rubles. It is clear that they will not be able to return this sum. This unearned money will have to be given to them as a gift, to a significant degree, as their debts are regularly written off.

Another channel of unearned money is turnover tax, which is paid before the commodity is sold. The commodity can lie on the shelf, but the money for it has come into the budget and is being spent. It is necessary to reform the financial and credit system so as to bring monetary circulation in line with material-substantial circulation and return credit to its true function, having made it reimbursable and economically advantageous both for the bank (which will be changed over to cost accounting) and for the enterprise.

The reform of prices and the finance-credit system was a direct prerequisite for replacing the material and technical supply with wholesale trade. The existing shortcoming was caused mainly by the lack of substantiation of prices, the existence of surplus money, and centralized supply itself. When we impose order here, a large part of the shortage will disappear.



At the same time, a partial shortage is of a structural nature and it is related to the poor development of a number of productions. This appeared because of the disparity between production and the demands of the consumer. Production developed while being oriented toward its own indicators. Therefore we produce certain kinds of products in larger sizes than are required for consumption by public consumers, and others in smaller sizes. It takes time to bring production into line with the structure of the need and the effective demand. To do this, for a certain amount of time we will have to maintain limited distribution of certain kinds of resources that are actually in short supply. But the basic form through which the enterprises will receive means of production will be wholesale trade. The limit will gradually be reduced and will begin to play an auxiliary role.

The development of wholesale trade presupposes a significant expansion of the socialist market and activation of commodity-monetary relations. The enterprise will enter the market as a real commodity producer. But in order to make the market an instrument for evaluating the social usefulness and effectiveness of products that are produced, it is necessary to have competition among commodity producers and to destroy the existing monopoly of individual enterprises on the production of various means of production. To do this we must have parallel productions of the same kinds of products. Enterprises working in cooperation and, in individual cases, also individual producers will help to create a situation of competition.

The socialist market is a special kind of market. Natural resources cannot be sold on it, and in this stage of reconstruction we do not intend to create a market of paper money and exchange of bills. Certain socialist countries are taking the first step for the creation of a paper money market. For instance, in Hungary enterprises have been permitted to issue shares through the bank and these are purchased by the population. The income from them is higher than if the money were saved in a bank. In a number of cases the acquisition of shares is accompanied by certain privileged conditions for the population. Thus the purchase of shares in the telephone company accelerates the time for installing a telephone in the home. But we have not envisioned such measures so far. We must learn a great deal and master the market for commodities, for we are not yet able to work it successfully. Then, after we know what we are doing, we might change over to the paper money market.

It should be emphasized that the socialist market is a regulated market: prices for the most important kinds of products are established centrally by the state. This pertains to fuel, electric energy, the most important kinds of raw materials, mass-produced kinds of rolled metal, technical equipment, and the most important consumer goods. This is done so that the state can control the movement of prices, prevent inflation tendencies, and not allow product prices to increase. At the same time price cutting is essentially decentralized and

an ever-increasing proportion of commodities will be sold at contractual and free prices. Moreover, the state enterprises can affect the system of economic normatives by stimulating the production of certain commodities and limiting the output of others.

The most difficult problem in the restructuring of the economic mechanism, in my opinion, is making the workers interested in the final results of their labor. I must share an impression that struck me frequently during one of my recent business trips to Austria. As in other developed countries, they are now overproducing goods there. The effective demand is modest, production is growing slowly, the immense quantity of unsold goods keeps the prices down. The stores, including food stores, are literally crammed with goods, they are always inventing new kinds of bakery and dairy products, they sell hundreds of kinds of cheeses and sausages, the packaging is becoming more and more attractive, and so forth. I was staying at the Soviet consulate in a hotel which is located in a specially allotted territory. There was neither a cafeteria nor a dining room here. Before I would come home in the evening I would go to the store that was in this territory. The products were sold for Austrian currency and at prices close to those set in the consumer stores in Vienna. But in "our" little store the shelves were empty. As the saleslady said, the milk had not been "shipped," there was no bread left, selection of produce was scanty, and people stood in line for the cash register for 20 minutes. But within a 15-minute walk there was an immense food store with sparkling windows and shelves crammed full of products, where the sales personnel looked greedily at each consumer, offering him a selection of first one thing and then another....

With this example I wish to say that the existence of substantiated prices and the necessary commodities, the elimination of surplus money, and the introduction of wholesale trade—all this in and of itself does not provide for commodities either for the enterprises or for the population. One other condition is necessary: it must be advantageous for people employed in the sphere of production and sales to satisfy public needs and for them to be personally interested in this. Therefore the key issue is to establish a direct dependency between wages and the results of labor. Complete cost accounting and self-financing makes it possible to do this. Moreover, it is possible to take two approaches to the formation of the wage fund: normative and residual. With the normative approach the question arises: what should the normative aim for? I think that it should aim for the result of the activity of the labor collective which is formed after the enterprise has made up for all material expenditures, made payment for all kinds of resources, settled accounts with the budget, paid fines, and returned borrowed money and interest to the bank. After this it would be possible to calculate the normative on the basis of the cost-accounting income. It seems to us that now the normative of the wage funds is calculated on the basis of the conventional net output, whose dynamics do not always correctly reflect the activity of the labor collective



and, moreover, it is difficult to verify them. It is even worse when the normative of the wage fund is calculated from the volume of commodity output, which means that it takes into account a changing proportion of material expenditures.

With the normative approach a fund for stimulation is formed, including the material incentive fund. The advantage of this system lies in the relative ease of regulation of the wage fund through normatives that can be reduced in various years and which automatically provide for more rapid growth of labor productivity as compared to wages. The shortcoming of this system is the division of the wage fund into wages, which in this case do not sufficiently interest the workers in the final results, and the material incentive fund, which act as an added incentive.

With the residual approach the unified wage fund is formed as a residual of the cost accounting income of the enterprise after the formation from it of the funds for the development of production, science and technology and social development. Here one can see more clearly the connection between the wage fund and the results of activity. Moreover there is no division of the wages, they are all incentives. With this approach the substantiation of prices is exceptionally important.

It is easy to show that under certain conditions both approaches lead to a similar result. But I am more impressed by the latter since this is essentially a system of the collective contract that extends to the entire labor collective. In this case conditions are created for more extensive dissemination of the contract over the shop, section and brigade, as well as to the engineering and technical personnel and employees. After the Politburo of the CPSU Central Committee approved the experience using the collective contract by Trust No 18 of Mosselstroy, which is headed by N. I. Travkin, this form of organization and stimulation of labor has become somewhat widespread. But still the other form of material interest that is based on profit clearly predominates. Unfortunately, when changing over to self-financing the enterprise is not granted the opportunity to select one of the two forms, and it is immediately given the form of management that is oriented toward profit.

### Independence and Democratism

The point of departure for restructuring lies in the changeover of the basic production unit to complete cost accounting, whereby the state is not responsible for the accounts of the enterprise and the enterprise is not responsible for the commitments of the state. Under these conditions the collective independently makes economic decisions and is materially responsible for them. And this means that administrative intervention in the activity of the enterprises, as it occurs now, is inadmissible, and the work of planning, branch and territorial agencies must be radically restructured. Planning should concentrate primarily on the substantiation of economic

normatives, prices, and financial-credit conditions and incentives, and also state orders for a limited and ever decreasing list of products. Of course, the object of state planning is still the creation of new branches, large facilities, the main infrastructure, the reconstruction of cities, and so forth. All this will make it necessary to concentrate the activity of the Gosplan and other planning agencies on strategic issues and they must refrain from everyday regulation of production. Branch ministries must be restructured correspondingly. They will have to become the scientific-technical and planning-economic staff of the branches and refrain from trivial regulation of the enterprises. The territorial agencies as well should refrain from arbitrary methods of management: sending collectives to do fieldwork without reimbursement for expenditures, enlisting them in the upkeep of areas in cities, asking them to help construction workers, and so forth. As they say, everyone should carry his own weight.

The rights and opportunities of territorial agencies are sharply expanded under the new economic mechanism. It is possible to manage effectively only if one has resources. Local agencies have a reliable source of these resources: their budgets are formed according to economic normatives through crediting to them some of the payments for regional resources—natural and labor, and also through deducting part of the profit (in order to link the effectiveness of the work of enterprises to the size of the local budget). Local budgets will also receive part of the turnover tax from the production and sales of commodities on a given territory (not including wine-alcohol and tobacco items). Local soviets are now in charge of the agroindustrial complex, territorial construction organizations are under their jurisdiction, and they are in charge of important functions having to do with the organization of the production of consumer goods and social development. I think that in the future a considerable proportion of the small and medium-sized enterprises of all branches of industry will also change over to local jurisdiction. But this is a question of the future. But even now local agencies have every opportunity, including the creation of collectives and encouragement of individual labor activity, to provide for comprehensive economic and social development of their region. To do this it is necessary to refrain from dependency to take a better look at their own condition and the local possibilities and reserves, and not turn their gaze in the direction of higher management hoping that they will do something or help in some way as has been the case in the past. Through government acts local agencies have been given extensive rights. But many managers of these agencies have not yet learned to use their rights and are complaining that everything is still the way it used to be, that actually the ministries still have all the rights, and so forth. They forget that rights acquired directly, through the way enterprising gorispolkoms select the departmental housing fund, the way individual oblasts and krais conduct an active policy for the protection of nature, the way initiative is taken in developing agriculture or

housing construction by certain republics through significantly improving the supply for the population, the provision of stores with commodities, and the advancement through the waiting list for housing. But, alas, this phenomenon is still isolated and not universal.

The inertness of any local agencies is linked to the slow and timid democratization of our life. They are not experiencing serious pressure from the working masses who would have done well to replace inert managers with more active and courageous ones. Therefore the development of democracy, as was correctly pointed out at the June (1987) Plenum of the CPSU Central Committee, is the main condition for the restructuring, including an effective combination of branch and territorial management. During the course of democratization the restructuring involves the broad masses of workers, and it is they who form the councils of labor collectives and elect the managers and teach them how to manage.

In the preceding stages of our development, centralism largely suppressed the democratic foundations of management. With the changeover to economic methods of management, the development of the Soviet economy will acquire a new appearance. It would be incorrect to link centralism only to directive address assignments and the command-order method of management. Tasks that are common for the entire national economy can and should be carried out under the new conditions with the help of economic methods, and this means more democratically. The main thing here is accounting for the interests of the people and recognizing the workers as being actually masters of the means of production. Economic methods operate only when they rely on interest. We must learn to manage through the interests of the people.

When saying that the basis has been laid for a new integrated management system I am far from the idea that this system is completely adequate to the condition for the development of socialism or that it will solve all problems related to the acceleration of the country's socioeconomic development. In time we will probably change over to a more effective system. But today we must not be slow but take a firm step forward and latch onto those goals that have already been prepared by the decisions that have been made.

I largely share the radicalism of those who think that the new economic mechanism and the management system took form as a result of a struggle of opinions and contradictory judgments, that this is a kind of compromise between those who wish to change the management system immediately and in a revolutionary way and those who are in favor of evolutionary improvement. There is probably some basis for this opinion. But the other one must also be taken into account. The responsibility for each radical decision and for the changeover to the new economic system is immense. We must have a reserve of stability.

Any incorrect step in the restructuring of the economic mechanism will end up in losses of many billions and nobody will help our country. At today's level of knowledge, scientific development, and practical experience, we must guarantee the economy a certain acceleration, intensification, and improvement of product quality. Perhaps the steps we are taking today are not as radical as we would wish them to be, but subsequently we will be able to clarify, correct, and deepen our policy. We have a sufficiently clear-cut program of action for restructuring management. A new stage is beginning—the changeover from development to large-scale actions. Our future will depend on how this work goes.

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### Successes, Failures of Past Surveyed

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[Article by Vladimir Ramm (Leningrad): "A Feeling of Legitimate Pride and Unsolved Problems"]

[Text] Our accomplishments during the 70 years of Soviet power in economics and the social and political spheres are immense, unimaginably immense. The entire world is looking hopefully to our country as a stronghold of peace and is anxiously accepting Soviet initiatives. And we have a feeling of legitimate pride during this anniversary year.

Just a minute, respected reader! We shall interrupt the loud applause that is turning into an ovation. V. I. Lenin said that the best way of celebrating a holiday is to concentrate attention on unsolved problems. In the year of the 70th anniversary of October this lesson of Lenin's is perhaps the most important and most crucial one.

### "We Have Committed and Are Still Committing an Immense Number of Stupid Acts"

...A paper at the 4th World Congress of the Comintern entitled "Five Years of the Russian Revolution and Prospects of World Revolution" was Lenin's anniversary speech. What was it about? About successes? How appropriate that would be! No, it was about future tasks, serious problems, urgent affairs, shortcomings, and mistakes. He discussed what had been done during the past 5 years. It was clear: a great deal had been done. But Lenin's speech contained nothing like a "feeling of legitimate pride." He mentioned what had been achieved only as a point of departure in order to name new, more difficult, unsolved, and immediate problems, problems not of the day and not of the year. The chairman of the Sovnarkom, addressing delegates of the congress, said: "There is no doubt that we have done and

are doing an immense number of stupid things. Nobody can judge this better or see this more clearly than I."<sup>1</sup> And he said this in his anniversary speech, which was subsequently translated in hostile capitalist countries, and our opponents emphasized even further the "stupid things we had done." When you read these words you begin to understand that this is the most convincing proof of the power and confidence in tomorrow.

Let us try to take a look at some of the unsolved problems. And let us be accompanied not only by the pride in what we have done, but also by the fearlessness of our fathers and grandfathers in the face of tasks which were no simpler than today's. Let their difficulties and failures, when year after year they failed to overcome the obstacles on the path to the construction of socialism, give us new force and make us feel the immense responsibility of our generation to those who went before us and who will come after us.

The first minutes of October. "...And here Lenin was at the podium. He stood there, holding on to the edge of the podium, looking with squinting eyes over the mass of delegates, and he was apparently waiting without noticing the growing ovation which lasted for several minutes. When it died down he said briefly and simply: 'Now it is time to begin the construction of a socialist order!' Another earthshaking roar of the human storm. 'Our first order of business should be practical steps toward the achievement of peace.'"<sup>2</sup>

The first month. The Soviet regime still does not have personnel capable of managing the economy and it is impossible to get rid of the old apparatus, factory owners, and private capital, in whose hands lie weapons capable of overthrowing "this hateful power of the children of cooks," a weapon more powerful than machine guns and bombs—sabotage.

Appendix concerning worker control, 27 (14) November:

"1. In the interests of planned regulation of the national economy, in all industrial, commercial, bank, agricultural, transportation, cooperative, production and other enterprises that have hired workers or that send out work to be done at home, worker control is to be introduced over the production, purchase, and sales of products and raw materials, their storage, and also over the financial aspect of the enterprises.

"2. Worker control is exercised by all workers of the given enterprise through their elective institutions....

"3. Decisions of the worker control agencies are mandatory for owners of the enterprises....

On behalf of the government of the Russian Federation Chairman of the Sovnarkom VI. Ulyanov (V. Lenin)."<sup>3</sup>

The first anniversary. Lenin's speech at the 6th All-Russian Extraordinary Congress of Soviets on 6 November 1918: "We know that not enough has been achieved. We know that in the country that is the most backward and worn-out, where the working class has encountered so many obstacles and setbacks in learning to manage industry—it needs a long period of time.... No, we have not done enough from the standpoint of achieving the end, but we have done much, an unusually large amount from the standpoint of strengthening the foundation. When speaking about socialism one cannot speak about deliberate construction of this foundation in the broadest working masses in the sense that they have taken out books or read brochures, but the awareness in here lies in the fact that with their own energy and their own hands they have entered upon an unusually difficult task, they have made thousands of mistakes, and from each mistake they themselves have suffered, and each mistake has forged them and tempered them in the work for organizing management of industry, which has now been created and now stands on a firm foundation."<sup>4</sup>

The first year involved not only economic problems. It included the White Guard and the Anglo-Japanese landing in Vladivostok, the counterrevolutionary attack of Czechoslovakian troops in the Volga area and Siberia, the Anglo-American landing in Arkhangelsk, the arrival of British troops in Baku, the seizure of the Ukraine by the Germans, the counterrevolution with the participation of the Mensheviks, kulak uprisings, the rebellion of the leftist socialist revolutionaries and the seduction of the rightist socialist revolutionaries. This was the most severe class struggle—the creation of food requisition detachments, committees of poor peasants, and the beginning of the expropriation of the kulaks.

The second, third and fourth anniversaries—the rout of Kolchak, Yudenich, Denikin, Vrangeli, and, finally, the end of the civil war. And again problems. The main one was to restore the destroyed economy. The first 4 years saw the fervent resistance of the bourgeoisie who instigated a "struggle, desperate and merciless, which forced us to an immeasurably greater breakup of old relations than we had assumed."<sup>5</sup> This entailed the introduction of the extraordinary policy of "military communism" and then the forced rejection of its method and of attempts by methods that were "the briefest, most rapid, and most direct, to change over to socialist foundations for production and distribution."<sup>6</sup>

1920-1921. Sukharevka in Moscow and markets in other large cities were closed. It is determined from above when, what, and where to plant, and when and how to cultivate the soil. The abolition of payment for fuel, apartments, running water, gas, and electricity. Free supply of consumer necessities for the population. An economic policy with much "exaggeration." And the consequences: requisitioning increases rapidly, but the contingent on state supply increases even more rapidly (there are considerably fewer products per one worker



than the minimum necessary). "We counted—or, perhaps, it would be more correct to say: we assumed without sufficient calculation—that through direct orders from the proletarian state we could run state production and state distribution of products in a communist way in a small peasant country. Life showed us our mistakes."<sup>7</sup>

The 10th Party Congress—this included the tasks of restoring agriculture and large-scale industry; sharply changing the course: changing over to the new economic policy; the GOELRO Plan and Lenin's words "communism is the Soviet regime plus electrification of the entire country." This included plans for 20 years and more for the restoration and restructuring of all branches!

Fifth anniversary. At the Plenum of the Moscow Soviet in November 1922 V. I. Lenin spoke about the changeover to the new economic policy. Great difficulties had arisen, but not because there were any doubts about the need to change over to the NEP. "The difficulties are from the fact that we are faced with a task whose solution requires that they enlist new people very frequently and conduct extraordinary measures and use extraordinary means. We still have doubts about the correctness of one or the other.... Where and how we should now restructure, adapt, and reorganize, in order that after the diversion we can begin to move most persistently forward—this we do not yet know."<sup>8</sup>

We do not know, and still: "We have dragged socialism into daily life and here we must figure it out. This is our task of the day, and this is our task of our age."<sup>9</sup>

Here is the unsolved problem V. I. Lenin discussed in his next speech. And "regardless of how difficult this task may be as compared to our previous task and how many difficulties it may cause us—all of us together, not tomorrow, and not several years from now, all of us together will carry out this task no matter what...."<sup>10</sup>

And there was another task a month later—on 30 December 1922: "Entire millenia have passed since the best minds of mankind have been racking their brains over the theoretical problem in search for forms which would give people the possibility of friendship and brotherhood without increasing torture and without mutual strife. Only now, in our day, is the first stone being laid in this area."<sup>11</sup>

Seventh anniversary. For the first time without Lenin. "Let us fulfill Lenin's behests!"—the banners make this appeal at the October demonstration. Without Lenin—the most difficult years of socialist reconstruction of the national economy, the first successes in industrialization, and in agriculture the main task is to emerge from neediness.

From a letter from the Ulyanov Okrug Committee of the VKP(b) to the poor peasant O. Yermolayev concerning the ways of emerging from neediness: "Begin to organize

the collective of such poor people as you and of those who are not so poor if they wish it.... They will plow your land in one place, the very best, and the land use measures will be conducted free of charge. The state will give you credit for restoring the collective farm."<sup>12</sup> One could list more immense tasks of the five-year plans. But what do we already have? We have begun to think about the tasks that faced us and how murderously difficult they were, and we have spoken about life and death: whether the Soviet regime was to be or not to be. And we see that we have solved them in any event! And so it is with a feeling of legitimate pride....

Again it has entered into our flesh and blood, "a feeling of legitimate pride" in our accomplishments, successes and victories! Legitimate, of course, legitimate. But we have not discussed unsolved problems, but, on the contrary, those that have already been solved! We have changed the subject and admired ourselves....

#### Problems of Successes and Problems of Mistakes

A feeling of legitimate pride—this is the view backwards, the orientation toward the past, the gates to self-complacency and self-satisfaction, this is the desire to "rest by the river" from the construction of the "bridge into socialism." But we must look, walk, and force our way forward, knowing that the tasks will become more and more difficult: the population is increasing, the scale of industry is growing, but there are no more minerals in the earth, you can no longer find illiterates, but there are so many jobs for which literacy is not mandatory! We must move forward, and the past for us is a support and a storehouse of experience, success and failure, discoveries and mistakes.

Success means a whole mass of unsolved problems. How does one reinforce this success? What must one do in order that a miner who has extracted 102 tons today instead of the six according to the norm will be able tomorrow and a month from now and always to extract just as much? How can we make this record the norm? And here the task is not only how to learn (although this is unusually difficult), but also how to motivate, to provide railroad cars and energy, to prepare the beds and reliable supports, wages, and commodity supply. For it is still necessary to develop success. Which reserves have been exhausted and which have not? What now (when success has been achieved) is holding back the growth of labor productivity? What must be done (and to whom) in order to weaken and erode these obstacles?

And it is necessary to decorate the hero, and to celebrate, glorify and praise him. And not so much in order to give him his due as in order to incite in others the seething feeling of envy of glory, ability, and income. Whatever the object, it is necessary to arouse them. And instead of explaining what kind of envy this is—black, white, or striped—it is necessary to arrange things so that the desire evoked by the envy to grow and develop can be realized and promises the indispensable honors, awards



and goods. And the desire to stand still, which is also evoked by envy, would promise only inevitable unpleasantness. The emulation requires the hands, the head, sweat, and good luck. And standing still requires almost nothing: a telephone call, a rumor, a word, a complaint, a commission. And again it is quiet and nobody shows himself. The feeling of envy has been found out. All these are unsolved problems initiated by success. There are so many of them that there is no time to think about a feeling of legitimate pride.

And then—this success in the past, what kind was it? Did it turn the wheel of industry like the elimination of unemployment, the defeat of the Entente, the recognition of the soviets by imperialists who had been hoping for our demise, the rout of the Fascists at Moscow, Stalingrad, and Kursk, the achievement of nuclear parity? Or was the success temporary? What precisely was not maintained, was not developed, was conceded, what did we not learn, about what were we not concerned, what did we not provide for and what did we fail to think about? Why did it turn out to be temporary?

And what if all that that happened in the past was no success, but a mistake? The restructuring today is a revolution. Let us turn again to Lenin: "In this connection we must look at our situation without any illusions. We have not imitated anyone who writes the word 'Revolution' with a small letter.... We can repeat the words of Marx that no less stupidity is committed during a revolution, and sometimes there is even more."<sup>13</sup>

Partial, complete, temporary, unstable success, a mistake, stupidity—why does all this happen? Not why in general, but in each specific case. During the past couple of years we have begun to ask ourselves these uncomfortable questions and find answers that were not very pleasant.

Why is the continuous smelting of steel, which was invented at the Novolipetsk Metallurgical Plant, utilized considerably more extensively in all developed countries than in ours? Why will only 3 percent of the Kuznetsk coal be extracted by the hydraulic method in Kuzbass in 20 years, even though the proportional capital investments here are lower by a factor of 1.5 and productivity is higher by the same factor than it is with traditional technology? Why has it taken 30 years for rotary-conveyor lines finally to be introduced? Why was linear programming, which was developed by L. V. Kantorovich, rediscovered 10 years later in the United States by the "father of linear programming" J. Danzig, and why did it come to us from there?

"The struggling party of the leading class is not afraid of mistakes. Persisting in a mistake and being too proud to recognize and rectify it would be frightening,"<sup>14</sup> wrote V. I. Lenin 2 weeks before the uprising. Recognizing the erroneous nature of such immense plans as diverting the northern river and creating pulp and paper productions

on Lakes Baykal and Ladoga—this, of course, is evidence of our confidence in ourself. "A wise person changes his decisions, which a fool will never do," as the English proverb goes. Recognition, correction, and study of our mistakes earlier and more carefully than this is done by our enemies—this is the path not to glory, but to the development of socialism and the victory of a new social system. But, alas, a feeling of legitimate pride has no place next to such a recognition.

Speaking about unsolved problems, we shall be deceiving ourselves if we reduce everything to undeveloped successes, lost opportunities, and revealed mistakes. It is even more important to try to understand our failures. We must understand why we have not managed to solve certain problems for decades, even though nobody has had any doubt about the urgency of their solution, and, it would seem, there are still no doubts about this.

It is with enthusiasm and even a certain amount of ecstasy that we have recently burst into what we have finally been allowed to say, write and state about the shortcomings and the serious measures that have been taken. But this is clearly not enough. It is necessary to reveal the reasons for their appearance and survival, and to analyze in depth precisely the decisions and ideas which seemed and still seem (!) excellent that gave rise to the shortcomings that disturb us. Otherwise we are doomed to imitating the Narodnaya Volya members who threw bombs at tsars instead of preparing for, continuing, and defending the revolution. Simply revolution—not with a capital letter, without spirit, and without "legitimate pride."

#### A "Common Concern"

At the beginning of the 1980's people spoke from the highest levels about an alarming fact—the increased involvement of scholars, engineers, employees, students, schools and schoolchildren in agriculture and at vegetable bases. There was a depressing tendency toward utilizing specialists for other than their intended work and labor and scientific potential were being undermined. At first, in passing, in articles and speeches (mainly humorous) there began to slip in the idea that this kind of "patronage" was a self-deception which could only cause harm. At the April (1985) Plenum of the CPSU Central Committee, which laid the basis for restructuring, one heard: "It is impossible to achieve significant results in a single sphere of activity as long as the party worker is replacing the economic planner, the engineer is replacing the courier, the scientist is working at the vegetable base, and the weaver is working on a farm." Today the press is sprinkled with statements and analysis of the damage this practice causes by blocking real cost accounting, impeding the elimination of surplus people (including those who do nothing), undermining current planning, retarding the industrialization of agriculture, and eroding responsibility for one's business. This is on the one hand.

On the other hand—in the autumn newspapers traditionally report on how the citizens assisted in harvesting the crops. In report meetings leaders with the most serious demeanor and with legitimate pride discuss how the collectives are helping the country in fulfilling the country's Food Program (so many man-days were worked at the vegetable base and on the kolkhoz). From this "other hand" orders are issued which send computer programmers to the conveyor and to do loading and unloading work, and scientific workers to do land improvement and construction, and not during their free time, but during work time. And the social organizations ideologically support these orders, and if they are working with "zeal" they also provide enthusiasm and romanticism.

Our newspaper man and we ourselves have become very enamored of the expression "common concern." Just listen: "The harvest is our common concern," "Preparation for winter is our common concern," "Quality is our common concern," "Preserving the vegetables is our common concern." No, and no again! Let us get things straight. M. A. Bulgakov, as early as 1925, wrote that nothing good could come until everyone started doing his own work.

The Chernobyl disaster was a common pain and a common concern for our country and also for other states, organizations, and people of other countries. This common disaster united us. But it was the disaster, the elimination of the consequences of the emergency that became the common concern. And certainly not the actual staff work at the AES, not the monitoring of the observance of technical safety, not the performance of their immediate duties by atomic energy workers! The avalanches of last winter in Georgia, the earthquakes in Central Asia (long ago and recent), and any natural disaster—these are actually a common concern. Of all the people.

But how is the harvest a natural disaster? Why are cabbage or fruits that have suddenly gotten ripe a nationwide misfortune? Seeing the immense real harm caused to the country by outdated farming technology and the incredible waste of labor resources and food, it is time to stop praising the heroes from the city who are helping the agricultural workers and to change the tone.

Without any legitimate pride we speak about those who from year to year support the utilization in agriculture of precisely such "cheap" technologies—with a free phone call: send us, they say, this many patents! About those who organize the "voluntary assistance" of city dwellers taking away from work or training time, who demoralize everyone (and about those who, in violation of the Constitution, appropriate for themselves or else waste the labor of others (the labor of these city dwellers). We cannot take seriously the minuscule compensation for the pointless work of workers who have been taken away (with average wages) from their skilled or highly paid work!

No, neither the harvest nor the preservation of it are natural disasters that require common concern. It is not these, but the many years of impenetrable and even flourishing existence of this state of affairs which discredits socialism. And this is the disaster against which we must fight, forgetting or at least putting off for a time a feeling of legitimate pride.

Today one of the most crucial problems is quality. State acceptance immediately changed the attitude toward quality at many enterprises and revealed the customary and forgotten sore spots. State acceptance tried to introduce order. And finally...wait, dear reader. Does this mean that we have found some miraculous means? Is it simply that our hands did not go far enough previously and we did not have enough intelligence?

It seems that we did have enough intelligence to know this: for several five-year plans the problem of product quality was one of the most important and crucial problems, and the entire 10th Five-Year Plan was a "five-year plan of quality." And the practice of military acceptance? Our country, where at least two generations recall the time when all life was subordinated to one thing: "Everything for the front! Everything for victory!" Can we look at the method of "military acceptance" as a discovery? Are we not being complacent by giving in to euphoria and giving way for a feeling of legitimate pride? Extraordinary measures can block the development of dangerous processes. But extraordinary measures—they are extraordinary: we should not count on the idea that the patient will continue to live on the operating table; it is necessary to figure out how we can do without doctors. Relying on honorable, knowledgeable people who let their conscience be their guide in any transactions—this is a noble basis. But we cannot get away from the question: if we have more uncompromising and qualified directors than "swindling" ones and "egotistic" head engineers, why not make the controllers the managers of production?

The problem is deeper, much deeper. How should an economic system for guaranteeing quality, a system which will make extraordinary administrative measures unnecessary, operate? How should production relations (daily life) be arranged so that honesty will triumph not because it is not nice to lie but because honesty is the most advantageous policy? State acceptance, like an oxygen cushion, makes it possible to come to our senses. We must figure out why our preceding efforts over many years produced no result, why bitter sarcasm, severe decrees, and systems of quality which seem to us to be operating unusually effectively, turned out to be useless? Where did we go wrong, what have we learned, what have we failed to notice, what dogmas have kept us from the essence of the problem?

Shortage and speculation—these are our worst enemies one decade after another. And no longer in the period of destruction and restoration, but during the period of upsurge and large-scale production. Now we have the

"Law on Unearned Incomes." But did the Criminal Code really not have the strictest laws against speculation before this? They have always been there. But the strictest laws and the most eloquent and convincing stories about the feats of honored policemen who catch speculators cannot help us figure out where the speculator comes from, what is wrong in the economic structure and production relations, and precisely what gives rise to shortage—the nutritive environment for speculation and other abuses. Where else other than in the inadequate resoluteness can we find the reasons for our failures in our fight against these despicable phenomena?

From year to year we discussed the problems of the lack of production of spare parts, the quality of service, and many other unsolved problems. And we are even taking action, not just action, but a good deal of it. Sometimes quite resolutely and seriously. But why have our words diverged so far and why are they still diverging from our deeds?

#### **Bureaucratism—This Is the "Main Cause, Our Worst Internal Enemy"**

Bureaucratism.... Remember Pushkin's Tatyana: "Did she really solve the puzzle? Did she really find the word?"

The problems of democratization and the fight for glasnost and against bureaucratism were discussed in detail at the 27th Party Congress and the January (1987) Plenum of the CPSU Central Committee. "The times are placing ever stricter and more rigid requirements on the level of the apparatus. And there are many shortcomings here and frequently one encounters departmental and local prejudice, irresponsibility, bureaucratism, and a fiscally indifferent attitude toward people."

Perhaps the ulcer of bureaucratism has been developing especially only in recent years? No. The 26th Party Congress resolved to "wage an uncompromising battle against manifestations of bureaucratism and formalism, departmental and local prejudices."<sup>15</sup> Even previously, during the 1970's and 1960's, it would seem that this was still a problem. 1961, the 22nd CPSU Congress: "It is necessary to completely eradicate such remnants of the past as bureaucratism, callousness, formalism and red tape and hold workers not only administratively but also judicially responsible when they are guilty of a bureaucratic attitude toward the needs and demands of the workers."<sup>16</sup> The continuity of the points made at the 27th and 26th congresses is understandable and natural just as the continuity of the first and second editions of the CPSU Program and regulations is natural. But the fight against bureaucratism and its manifestations—pomposity, showiness, suppression of criticism—was crucial even previously.

Let us open up the Party Regulations adopted by the 19th CPSU Congress:

"3. A party member is obligated:

"f) to develop self-criticism and criticism from below, to reveal shortcomings in work and eliminate them, and to fight against ostentatious prosperity and ecstasy about successes in work. The suppression of criticism is a terrible evil. The person who suppresses criticism and replaces it with ostentation and self-praise has no place in the party ranks:

"g) ...A party member does not have the right to conceal a bad state of affairs or to overlook incorrect actions that cause harm to the interests of the party and the state...."<sup>17</sup>

The right to criticize any party worker, which was included in the 1952 Regulations, was recognized by the 18th prewar congress as the first addition to the previously adopted regulations which was necessary precisely "to protect party members from manifestations of bureaucratism."

The beginning of the 1930's—the 17th Party Congress of the VKP(b) "expresses its firm conviction that...there will be an effective concrete economic leadership and a resolute battle against democratism on the part of all organizations of the working class...."<sup>18</sup>

The 16th Party Conference at the end of the 1920's adopted the detailed resolution suggested by the TsKK-RKI [Central Control Commission and Worker-Peasant Inspection], "On the Results and Most Important Immediate Tasks of the Fight Against Bureaucratism." Categorically (and, as we can see today, not at all too sharply) the party proclaimed long ago in 1929: "...The struggle of the party and the soviets against bureaucratic perversions of the state apparatus which frequently conceal the real nature of the proletarian state from the broad masses of workers is becoming one of the most important forms of the class struggle...the struggle for a policy of economy and the development of work for streamlining the Soviet apparatus (reducing the number of reports, eliminating surplus institutions, simplifying the structures and functions of a number of institutions, increasing the rights and responsibilities of local and lower-level agencies) during the past 2 years have already produced significant practical results: the administrative-management expenditures have been reduced at least by \$300 million (this is not in today's prices and salaries but those of 58 years ago—V. R.) and the administrative and management staff has been reduced by more than 100,000 people.... The growing practice of holding responsible and imposing the appropriate penalties on people guilty of inefficiency, bureaucratism and red tape by the RKI...and the court, destroying the widespread conviction that people guilty of bureaucratism are not responsible and not to be punished forces both officials and rank-and-file employees of the Soviet staff to pull themselves together."<sup>19</sup> A



good deal has been done to reveal the specific bearers of the bureaucratic evil and to fight against them and to mobilize the working class against bureaucratic perversions.

"But in comparison to the tasks facing the party in the area of fighting against bureaucratism, these achievements are only the first and extremely inadequate approach to the matter of improving the state apparatus, which not only continues to be incredibly cumbersome, costly and bureaucratic, but also 'very frequently works against us.'"<sup>20</sup>

Perhaps someone objected to such an evaluation at that time? No, the resolution was adopted unanimously and was subsequently approved by all the people. Never after that did anyone ever say that bureaucratism was good, necessary or useful. It would seem that the hatred for it was universal and ubiquitous. Recall V. Mayakovskiy's "The Conferees," "The Bath" and everything that "gnawed like a wolf." Recall the insults of M. Koltsov and the sarcasm of A. Platonov, the laughter of the authors of "The Twelve Chairs" and "The Golden Calf," the prewar M. Zoshchenko and today's evildoing "Previously, During the Age of Bureaucratism" or "40,000 Meters of Responsibilities." Everybody is against it!

"Where are our sentences from the people's courts for the fact that a worker or peasant who has been forced to come to the institution four or five times finally receives something that is formally correct but is essentially a mockery?"<sup>21</sup> Why does this Leninist issue not reach us as a weak echo from our first years, but rumble in our ears and souls like thunder? Why do Lenin's words: "After all, you are communists, why do you not organize traps for these Mr. Bureaucrats and then drag them into the people's court and put them in jail for red tape?"<sup>22</sup>—why do these seem a little too bold to many people even today?

"With respect to those communists whose unsuitability for the work of state management has been established by an inspection of their work, it is necessary most resolutely to put a stop to the current practice of transferring these workers from one institution to another, from one region to another, which will only ultimately destroy them and at the same time impedes improving the work of the staff, and they must be consistently returned to work in their specialty."<sup>23</sup> Why is this 1929 decision perceived today if not as a hopeless utopia, then (judging from the most timely, pointed, and sharply critical newspaper articles) still a dream that is fairly far from being realized? What is the reason if nobody has abolished this resolution and everybody has always been "for"? What are the forces that each time restore this hydra of bureaucratism after it has been dealt what would seem to be fatal blows? If we do not find the causes, all our victories over bureaucratism will be temporary and in vain.

Our failures, our problems that have not been solved to this day—are a sign of illness, that things are not well. Their chronic nature literally shouts about the fact that here we have not an individual mistake, not somebody's incomplete work or evil will (that would be simpler and more convenient), and not remnants of the old system (what remnants can there be after 70 years). Everything is much more complicated. Our failures are evidence of the fact that we want to correct or at least patch up unpleasant consequences instead of understanding the causes. And they lie in our economic, production, and legal relations.

Temporary, extraordinary measures are necessary when a disaster has occurred. And heroism is necessary and boldness and resoluteness and courage. But, "still, still, still...." Do you remember Brecht: "Unhappy is the country that needs heroes"? We need truth, and light, and openness, and criticism like we need air! But we must not forget that truth is, generally, speaking, not a medicine, but only an instrument, only a means of understanding how to act. But truth itself is still not an action.

Restructuring today is a revolution. And we need all of the 70 years of experience of our revolution, memory of the past, and knowledge of all of our mistakes not for "legitimate pride" but in order not to repeat them, in order to stop stumbling again and again over the same place and to become stronger in the face of today's immense tasks which we have begun to resolve.

"The best way of celebrating the anniversary is to concentrate our attention on unsolved problems." Our anniversary. Let us try to celebrate it in the very best way. In a Leninist way!

#### Footnotes

1. Lenin, V. I., "Poln. Sobr. Soch.," Vol 45, p 290.
2. John Reed, "Ten Days That Shook the World," Moscow, Politizdat, 1957, p 117.
3. Decrees of the Soviet Regime, Vol 1, Moscow, 1957, pp 83-85.
4. Lenin, V. I., op. cit., Vol 37, pp 140-141.
5. Ibid., Vol 44, p 202.
6. Ibid., p 204.
7. Ibid., p 151.
8. Ibid., Vol 45, p 302.
9. Ibid., p 309.
10. Ibid., p 309.



11. Kalinin, M. I., "Izbraniye proizvedeniya. 1917-1925 gg" [Selected Works. 1917-1925], Vol 1, Moscow, 1969, p 359.

12. "Collectivization of Agriculture in the Central Volga Area (1927-1937)," Documents and Materials, Kuybyshev, 1970, p 64.

13. Lenin, V. I., op. cit., Vol 45, pp 13-14.

14. Ibid., Vol 34, p 263.

15. "Materials of the 26th CPSU Congress," Moscow, 1981, p 200.

16. "Materials of the 22nd CPSU Congress," Moscow, 1961, p 187.

17. "KPSS v rezolyutsiyakh i resheniyakh syezdov, konferentsiy i plenumov TsK" [The CPSU in Resolutions and Decisions of Congresses, Conferences, and Central Committee Plenums], Vol 6, Moscow, Politizdat, 1972, p 368.

18. Ibid., Vol 5, pp 41-42.

19. Ibid., Vol 4, pp 222-223

20. Ibid., Vol 224.

21. Lenin, V. I., op. cit., Vol 43, p 328.

22. Ibid., p 328.

23. See "KPSS v rezolyutsiyakh...", Vol 4, p 229.

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### Function of Medium-Term Plans Related

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[Article by B. P. Orlov, doctor of economic sciences, Institute of Economics and Organization of Industrial Production of the Siberian Branch of the USSR Academy of Sciences (Novosibirsk): "Goals of Medium-Term Plans and Their Implementation"; first paragraph EKO introduction]

[Text] ... "It is necessary for economists, literary scholars, and statisticians not to ramble on about the plan in general, but to study in detail the implementation of these plans, our mistakes in this practical work, and ways of correcting these mistakes. Without such a study we are blind. (V. I. Lenin)

Over the 70-year path of our economic development there is much that is instructive and worthy not only of giving high evaluations, but also of drawing serious lessons. The USSR people have been "beset with all the difficulties and trials that await pioneers on the roads of history."<sup>1</sup> We had to be the first to blaze the trail into the unknown and organize planned management of economic activity without having the experience of predecessors.

In the final analysis plans reflect people's interests, which are transformed into their goals, that is, into the desired condition of the economy. A retrospective analysis of the plans shows that the final results of their implementation has far from always coincided with the previously formulated goals. The discrepancies were sometimes so significant that they caused radical divergences between the intentions and reality and were transformed into conflicts between word and deed. It would seem that a cause-and-effect analysis of the discrepancies should be of primary interest both for planners and for researchers. For the main applied value of historical knowledge is that the past suggests useful advice for the future. But the immense experience accumulated in the USSR in implementing medium-term plans has been least of all described precisely from the standpoint of analysis.

### Prewar Five-Year Plans

Long-range planning became a form of managing the national economy in the USSR beginning with the first five-year plan. Three five-year plans were adopted before the patriotic war and two were implemented. Before beginning to analyze them let us express a general consideration that is important for an understanding of what follows.

From the standpoint of the state's structural policy, the economic development of the USSR can be conventionally divided into two large stages. The first (approximately up until the middle of the 1950's) reflected the course toward forced industrialization on the basis of the realization of the technical and technological achievements of the first industrial revolution which began in the 1760's in England and in the 19th century spread to Western Europe, the United States, Russia and Japan. In the words of V. I. Lenin, this was a stage of changeover from manufacturing production based on the manual art of the master to factory production based on initial mechanization of labor in the main technological processes of transforming raw material into the final product. The second stage, which continues up to the present, was directed toward the formation of a new structure for the national economy on the basis of the utilization of the achievements of the second industrial revolution which has assumed the form of a scientific and technical revolution.

A paradoxical fact: the rates of economic growth of the USSR, which were high in the first stage, began to drop in the second stage. This phenomenon demands a thorough investigation.

The first five-year plan turned out to be exceptional in several respects. It was developed in two variants; it was dynamic (in modern terminology) since it envisioned a year-by-year sequence of the basic quantitative indicators (a breakdown for the various years of the planning period); and it had as special sections the construction, production, and social programs, and special blocks of production resources in the distribution of productive forces.

Before the plan was drawn up there was a clear determination of the target points of the political, economic, and social development: maximum development of the production of means of production as a basis for industrialization of the country; a resolute strengthening of the socialist sector in the city and the rural areas as well as the involvement of the masses of millions of peasants in

socialist construction on the basis of the cooperative society and collective labor; the surmounting of the excessive lag of agriculture behind industry and a solution to the grain problem; a significant rise of the material and cultural level of the working class and the working masses in rural areas; a strengthening of the leading role of the working class and the economic and political positions of the proletarian dictatorship; the economic and cultural advancement of the national republics and backward rayons and obla'sts; and a significant strengthening of the country's defense capability.<sup>2</sup>

During the course of the implementation of the first five-year plan (the optimal variant was adopted), many actual indicators deviated strongly from those planned (see Table 1).<sup>3</sup> Their lack of correspondence is explained by the unrealistic nature of certain plans and the unexpected changes in the economic situation, mainly the situation in agriculture. We shall encounter these factors frequently in the future as well.

Table 1—Planned and Actual Rates of Increase in Output During 1929-1933, %

	Plan 1929/29-1932/33		Actual 1929-1932	Actual 1929-1933
	Initial Variant	Optimal Variant		
Produced national income	82	103	59	62
Gross industrial output	108	130	102	113
Group "A"	124	164	173	190
Group "B"	95	106	56	63
Gross agricultural output	41	55	-14	-18

Sources: "Five-Year Plan for National Economic Construction of the USSR," Vol I, part 2, Moscow, 1929, pp 161-163, 87, 135; Vol II, part 1, p 72; part 2, p 40 (this source was also used in subsequent tables); "The USSR National Economy in 1958," Moscow, Gospolitizdat, 1959, p 136, 350; Barsov, A. A., "Balans стоимостnykh obmenov mezhdru gorodom i derevney" [Balance of Value Exchanges Between the City and the Country], Moscow, "Nauka", 1969, p 92.

From Table 1 one can see that the first of the aforementioned goals was consistently fulfilled. Moreover, it had priority as compared to a majority of the others. The second goal was also achieved (incidentally, in the agrarian sector this was done by a different way than was intended). The five-year plan envisioned mass production cooperation of peasant farms in the form of complete collectivization, which in reality did encompass the majority of them. Apparently it was the forced collectivization that explains the discouraging dynamics of agricultural products. In this situation the achievement of one-third of the goal became unrealistic.

The target points of the second five-year plan were expressed in the form of "basic tasks." In the resolution of the 17th Congress of the VKP(b) the main political task for 1933-1937 was called the "Final Elimination of Capitalist Elements and Classes in General, Complete Destruction of Factors That Generate Class Differences...." and the main social task was "...An Even More

Rapid Improvement of the Well-Being of the Workers and the Kolkhoz Masses.... A Two-Three-Fold Rise in the Level of Worker Consumption," and the basic and decisive economic task was "The Completion of Reconstruction (Technical—B. O.) of the National Economy."<sup>4</sup>

These tasks turned out to be unrealistic and unsubstantiated: the objective conditions for the creation of a classless society in the USSR were still lacking; in 5 years it was impossible to double the nonindustrial consumption fund and complete technical reconstruction of the national economy. Considerably more than half of the overall number of workers in the national economy were employed in branches of the manufacturing type where the initial mechanization of labor had only just begun (agriculture) or was altogether lacking (the sphere of services). Thus in farming in 1938 there were more than 10 times as many horse-drawn plows as tractors. The latter were used mainly in grain farming. In 1937 only 44

percent of the area planted in grain crops was harvested with tractor equipment.<sup>5</sup> Animal husbandry, vegetable growing, and the production of many industrial crops were based completely on manual labor.

During the 2nd Five-Year Plan the actual indicators for national income and gross output from industry were

close to those planned, and on the whole the dynamics of economic growth improved (see Table 2). The table shows the continuation of the strategic course toward preferential development of the production of means of production. The five-year plan earmarked an important economic maneuver: priority for the growth of Group B. But they did not manage to do this since the country's production potential was not prepared for this.

Table 2—Planned and Actual Rates of Increase in Output During 1933-1937, %

	Plan	Actual
Produced national income	120	112
Gross industrial output	114	120
Group "A"	97	139
Group "B"	134	99
Gross agricultural output	100	25

Sources: "The 2nd Five-Year Plan for the Development of the USSR National Economy (1933-1937)," Moscow, Gospolitizdat, 1934, pp 427-435 (this source is used in subsequent material); "The USSR National Economy in 1958," p 350; "USSR Industry," Moscow, Gospolitizdat, 1957, p 33.

The most difficult thing in the prewar period was to provide for the earmarked goals in achieving the standard of living of the population and the economic effectiveness of production (see Table 3). As one can see from Table 3, the goal of sharply improving well-being proclaimed in the 1st and 2nd Five-Year Plans turned out to be unfeasible. This is explained mainly by the

shortage (as compared to the planning indicators) of agricultural products, from which no less than 80 percent of the personal and family consumption funds were formed at that time. During 1929-1933 the average per capita consumption of agricultural products (in monetary terms) dropped by 28 percent.

Table 3—Planned and Actual Growth Rates of Basic Indicators Under 1st and 2nd Five-Year Plans, %

	1928-1932		1933-1937	
	Plan	Actual	Plan	Actual
Real earnings	71	No information	100	20
Incomes of agricultural population	67	No information	...	No information
Consumption fund	...	5	...	No information
Retail commodity turnover	...	34	150	48
Labor productivity in industry	100	5	63	67
Production cost of industrial output	-35	2	-26	39
Productivity of grain crops	35	-19	13	-7

Note. Here and henceforth "..." means that the indicator was not planned.

Sources: In addition to the aforementioned official sources, in compiling Tables 3 and 4 we used data from archival documents and monographs. Barsov, A. A. "Balans stoimostnykh obmenov mezhdru gorodom i derevney," p 85; Malofeyev, A. N. "Istoriya tsenoobrazovaniya v SSSR (1917-1963 gg.)" [The History of Price Setting in the USSR (1917-1963)], Moscow, "Mysl," 1964, pp 154, 158, 163, 355, 208, 404, 407; Central State Archive of the USSR National Economy (TsGANKh), fund 4372, inventory 42, file 199, sheets 473, 6.

Under the 2nd Five-Year Plan the standard of living of the population increased somewhat, which is shown in Table 3. Unfortunately, there are no published figures about the dynamics of the real incomes of the rural population (and they comprise the majority of the country's population) or the fund for nonindustrial consumption of all workers during those years. The average annual gross agricultural output (in comparable prices)

under the 2nd Five-Year Plan increased by only 5 percent as compared to the 1st.<sup>6</sup> Nonetheless, in the resolutions of the 18th Congress of the VKP(b), which noted the results of the fulfillment of the five-year plan, it is pointed that "the task of raising the material and cultural level of the workers with a rise in the level of national consumption by a factor of 2 and more was also fulfilled."<sup>7</sup>

The low growth rates of labor productivity and industry during the first five-year plan are explained mainly by difficulties in the assimilation of new technical equipment in all branches because of the low professional and technical level of the workers—people who came from rural areas. During the 2nd Five-Year Plan the situation in this area changed radically: mass professional training of workers was organized and the Stakhanovite Movement arose.

During the prewar period the state could not purposefully regulate the movement of consumer prices,

which predetermined the random nature of the movement of monetary flows (see Table 4). Practically at the same time in the USSR there was a real "price revolution" which was not expected by the country's leaders or predicted by researchers. Retail prices in planned trade in 1937 increased as compared to the 1928 level by a factor of 5.4 and in 1940—by a factor of 6.4. As a result, the growth of the average earnings reflected basically not an increase in labor productivity but an increase in consumer expenditures of workers and employees. In other words, this growth played a compensatory role.

Table 4—Increase or Reduction of Retail Prices and Wages Under 1st and 2nd Five-Year Plans, %

	1928-1932		1933-1937	
	Plan	Actual	Plan	Actual
Price index in planned trade	-22	155	-35	110
Average earnings	38	126	25	114
Wage fund	...	No information	55	150
Mass of money in circulation	...	About 230	...	About 100

The produced national income during 1929-1937 increased by a factor of 3.4 and the money in circulation—by a factor of approximately 6.6. This ratio essentially reflected the inflation manifestations, whose unpredictability forced us to refrain from medium-range financial planning. Beginning with the 2nd Five-Year Plan there is no financial section in the plans.

#### The Postwar Decade

The 4th (1946-1950) and 5th (1951-1955) Five-Year Plans differed significantly in terms of target points. The general economic and interbranch proportions of the 4th Five-Year Plan were based on a policy of compensation for wartime losses and exceeding the prewar level of development of material production and well-being of the workers. The directives for the 5th Five-Year Plan were drawn up with respect to

ordinary conditions of reproduction, when the restoration was left behind. The 19th Party Congress was late in discussing these directives, at the beginning of the second year of the planning period. They did not anticipate the state's new agrarian policy. Consequently, their application was formal. The plan itself, apparently, was not actually developed either. It was not published (unlike the plan for 1946-1950). One is surprised by the fact that the directives for the five-year plan do not have assignments for increasing agricultural output.

Attention is drawn to the unparalleled amount by which the planning assignments exceeded the increase in the production of the national income and the gross industrial output under the 4th and 5th Five-Year Plans (see Table 5). Previously in literature and propaganda statements this was explained by subjective circumstances, namely the labor activity of the workers.

Table 5—Planned and Actual Growth Rates of Basic Indicators Under 4th and 5th Five-Year Plans, %

	Plan	1946-1950	1951-1956	
		Actual	Directives	Actual
Produced national income	38	64	60	68
Gross industrial output	48	73	70	85
Group "A"	...	105	80	91
Group "B"	...	23	65	76
Gross agricultural output	27	-1	...	22



Table 5—Planned and Actual Growth Rates of Basic Indicators Under 4th and 5th Five-Year Plans, %

	Plan	1946-1950 Actual	1951-1956 Directives	Actual
Real earnings	---	No information	35	39
Incomes of kolkhoz workers**	---	No information	40	50
Retail commodity turnover	28	10	70	89
Labor productivity				
In industry	36	45	50	44
In construction	40	25	55	45
In agriculture***	---	0	40	37
Capital investments (total for 5 years)	---	123****	90	89

\* Rate of increase relative to 1940

\*\* Directives—physical and monetary incomes, actual-real incomes

\*\*\* Here and henceforth data pertain to the collectivized sector of agriculture

\*\*\*\* Percentage of fulfillment of plan for capital investments for 5 years

Sources: "Party and Government Decisions on Economic Issues," Vol 3, Moscow, Politizdat, 1967, pp 252, 272, 273, 288, 716, 717, 729, 733, 736; "The USSR National Economy in 1975," pp 55, 56, 528, 628; "On the Results of the Fulfillment of the Five-Year Plan for the Development of the USSR During 1951-1955," Moscow, Gospolitizdat, 1956, pp 4, 28, 30, 31.

It seems that one should also take into account conditions external to national production—the actual enlistment in national economic circulation of resources not taken into account when developing the plans. For a certain amount of time after the war the USSR received reparations from the Allied countries of Hitler's Germany. As substantial developments of capital investments they used equipment that was disassembled on the territory of East Germany belonging to the state under Hitler and its monopolies. Prisoners of war were employed in restoration work. This was the only form of partial reimbursement for the colossal losses sustained by the Soviet Union as a result of Hitler's aggression. Additionally, abroad they created joint enterprises (for example, Soviet-East German) whose products were taken into account by our statistics. The lack of the corresponding information in Soviet literature makes it impossible to evaluate the quantity or the length of time these resources were used.

The fact that the planned increase in real incomes was also greater under the 5th Five-Year Plan. It was apparently also explained basically as a result of the utilization of foreign resources: for the average annual agricultural output increased by only 4 percent in comparison to 1946-1950.

#### Economic Growth in the New Stage

Since the middle of the 1950's the state has radically changed its structural policy: a new structure of public production has begun to take form in the USSR, one that is predetermined by scientific and technical progress and the course toward consistently raising the standard of living of the population.

As we know, the implementation of the directives for the 6th Five-Year Plan (1956-1960) was interrupted by the adoption of control figures for the 7-year period of 1959-1965 which were envisioned as a constituent part of the long-range plan for the economic development of the USSR over 15 years. Planning agencies had been instructed to develop this. This plan was proclaimed ahead of time as the economic program for the construction of communism in the Soviet Union.

It was presumed that in 15 years a material and technical base would be constructed for communism and the country would attain first place in the world in the per capita production of products. In other words, it would resolve the basic economic tasks of the USSR formulated at the 18th Congress of the VKP(b) in 1939. New goals—no longer for 15 years, but for 20 years (1961-1980)—were reflected by the CPSU Program adopted in 1961 at the 22nd Party Congress.

The 7-year plan had a favorable beginning and the USSR Gosplan was given the assignment of including higher rates of socioeconomic development in plans for subsequent years. Thus the national income was to have increased by 77 percent in 1965 as compared to 1958.<sup>8</sup>

But practice again showed the rest of the substantiation of the main idea and the targets ensuing from it. This was another attempt to "hurry forward" which demonstrated a neglect of the laws of social development. The majority of the control figures of the 7-year plan were not met (see Table 6).

Table 6—Planned and Actual Growth Rates of Basic Indicators During 1959-1965

	Control Figures	Actual
Produced national income	62-65	59
National income used for consumption and accumulation	...	53
Gross industrial output	80	84
Group "A"	85-88	97
Group "B"	62-65	60
Gross agricultural output	70	15
Number of workers and employees	26	37
Real incomes	40	30
Consumption fund	60-63	49
Retail commodity turnover	62	60
Capital investments (sum for 7 years)	81-84	66
Labor productivity		
In industry	45-50	42
In construction	60-65	53
In agriculture	40	30

Sources: "Party and Government Decision on Economic Issues," Vol 4, pp 497, 510, 513, 520, 543, 544; "The USSR National Economy in 1965," pp 59-60, 557, 593; TsGANKh, fund 4372, inventory 66, file 619, sheets 2, 7.

Incidentally, the 7-year plan was not actually drawn up at all, although it was considered necessary to develop it. According to the testimony of one of the management workers of the USSR Gosplan, the work on the long-range plan was limited to the adoption of control figures with respect to the new structure for management according to the territorial principle. Let us add to what has been said that the plans for 1951-1955 and 1956-1960 were not drawn up or officially adopted either.

The 21st Party Congress considered the basic problem of the 7-year plan to be "accelerated development of the USSR National Economy on the Path Toward Communism." But in reality it was at that time that the opposing tendency was earmarked—retardation of economic growth. The average annual increase in the produced national income dropped from 9.1 percent in 1956-1960 to 6.6 percent in 1961-1965.

When the control figures were adopted there was an expression of confidence that "...there would be a solution to the problem...of the creation...prerequisites for an abundance of material goods." Reality turned out to be disappointing: agricultural output increased significantly. The shortage of resources for the national income brought about a marked slowing down of the increase both of the consumption fund and of the accumulation fund, which is shown by the data on the capital investments.

The control figures for the increase in gross industrial output were exceeded because of the forced development of individual branches of heavy industry,<sup>9</sup> which in practice reinforced the lack of interbranch coordination. In particular, a shortage of rolled ferrous metals and equipment for many areas of the economy was revealed. The demand for products from lifting-transportation,

forge-press, and agricultural machine-building, from the machine tool and instrument industry, and for equipment for light and the food industry significantly exceeded the supply. The failure by the chemical industry to fulfill the planned production indicators turned out to be so significant that the USSR Central Statistical Administration decided not to publish the specially prepared detailed materials concerning the development of this branch during the 7-year plan.

The dynamics of the production of products were affected to a certain degree by the increase in prices for new machine-building products which reflected the desire of the sovnarkhozes to artificially increase the profitability of their manufacture. The sovnarkhozes established temporary and one-time prices that significantly exceeded the list prices for products that were similar or had similar purposes. The proportion of products sold at temporary prices increased from 17 percent in 1960 to 30-35 percent in 1961-1963.<sup>10</sup> In particular, the prices for chemical equipment increased significantly.

The policy of acceleration of technical progress proclaimed with the adoption of the control figures for the 7-year plan (one of its basic target points) was poorly implemented in practice. Thus the USSR Gosplan noted the "low rates of renewal of equipment in many branches of industry.... The technical level of fixed capital created during past years in the chemical industry was below par although three-fourths of this capital had been created during the past 5-6 years."<sup>11</sup>

What has been said also explains the fact that the control figures for increasing labor productivity were also lagging behind. This, in turn, made it necessary to enlist

additional working hands in production, mainly from second family members not employed in the public economy who did not have the necessary occupational training.

The recruitment of the planned number of workers and employees caused an unforeseen increase in the wage fund which was not covered by the increase in retail commodity turnover of state and cooperative trade. The sale of agricultural products at unorganized city (so-called kolkhoz) markets decreased during 1959-1965 by 30 percentage points.<sup>12</sup> Again there were manifestations of inflation veiled by the dynamics of postponed demand of the population. During 1959-1965 the sum of deposits into savings banks increased by a factor of more than 2.5 while the average earnings increased by only 23 percent.<sup>13</sup>

The aim of the 7-year plan of increasing the economic effectiveness of production was not achieved either. While in 1951-1958 the productivity of public labor increased by approximately the same amount as the value of fixed production capital did, in 1959-1965 the

growth rates of the former lagged significantly behind the growth rates of the latter.<sup>14</sup> It was precisely during the 7-year plan that the capital-intensiveness and output-capital ratio for the production of the national income began to increase in the USSR, which had a negative effect on the rates of economic growth. This tendency has not been surmounted even up to the present day.

Against the background of the 7-year plan, the 8th Five-Year Plan looks like a gratifying event in the economic history of the USSR: this is perhaps the only time during the 1960's-1980's when the actual trajectory of economic growth almost coincided with what was planned (see Table 7). Incidentally, in this connection one must make two remarks. First, the five-year plan again was not developed and was not officially submitted for approval to a session of the USSR Supreme Soviet. The Gosplan apparently limited itself to calculations for directives for the 23rd CPSU Congress concerning the five-year plan for the development of the USSR national economy during 1966-1970.<sup>15</sup> In the second place, in the autumn of 1967 it was decided to change certain basic indicators in the plans for 1968-1970 as compared to the directives.<sup>16</sup>

Table 7—Planned and Actual Growth Rates of Basic Indicators Under the 8th Five-Year Plan, %

	Directives of 23rd CPSU Congress	Adjustment for 1968-1970	Actual
Produced national income	38-41	39	45
Gross industrial output	47-50	53	50
Group "A"	49-52	55	51
Group "B"	43-46	49	50
Gross agricultural output (average annual)	25	No information	21
Capital investments (sum for 5 years)	47	45	44
Average earnings	20	No information	26
Monetary incomes of kolkhoz workers from public farm	35-40	No information	46
Retail commodity turnover	40	No information	48
Real incomes	30	No information	33
Labor productivity			
Average earnings	33-35	No information	32
Average earnings	35-40	No information	22
Average earnings	40-45	No information	37

Sources: "Party and Government Decisions on Economic Issues," Vol 6, pp 52, 57, 58, 67, 72, 76, 77, 84; *Pravda*, 11 January 1967; "The USSR National Economy in 1973," p 53.

Under the 8th Five-Year Plan we managed to accelerate economic growth somewhat (during 1961-1965 the produced national income increased by 38 percent) and to temporarily halt or lessen the increase in capital-intensiveness and output-capital ratio of production (the value of fixed production capital increased by 48 percent). But the assignments for increasing labor productivity, as usual, were not fulfilled and we did not manage to reduce production outlays as was intended.

The factors that finally led to the stagnation of the 1970's and the beginning of the 1980's were in operation under the surface. Investment activity became considerably weaker: the increase and the startup of new fixed capital

lagged severely behind the increase in capital investments, and the value of incomplete construction increased appreciably. In this sphere there was a reduction in the increase in output per employee as compared to 1961-1965.

A good deal of obsolete equipment accumulated in industry. As was noted in the materials of the USSR Gosplan, "because of the shortage of funds" it became impossible to carry out technical reequipment of production "through replacement of worn-out and obsolete equipment" in the coal, mining, light, and the food industry, and in metallurgy and electrical energy engineering.<sup>17</sup> The fact that machine building had lagged



behind the demand for implements of labor began to have its effect, although the external dynamics of its output looked favorable. The gross output from machine building increased by 47 percent during 1966-1970, but the production of prepared machines in physical terms increased by only 33 percent (1961-1965—by 66 percent).<sup>18</sup> This disparity, whose existence and growth escaped the attention of the country's leaders and central planning agencies, was noted by researchers as early as the 1970's. But the upper management echelons did not react to their concern about the relationship that had formed between the "gross" and the "real" output.

On the whole the results of the 8th Five-Year Plan were perhaps not evaluated objectively enough. Planning agencies simply extrapolated its positive results for the subsequent period, retaining the growth rates that had been achieved and, moreover, envisioning an increase in labor productivity and output-capital ratio and a reduction of the material-intensiveness of production.

The 9th Five-Year Plan was regarded as the five-year plan of effectiveness and quality, which were perceived as indicators of a changeover to the intensive path of development. But it was here that many who had been held captive by the euphoria associated with the successes that had been achieved were taken unawares by

unpleasant, unexpected circumstances. The main ones were the sharp retardation of the rates of economic growth and technical progress, and difficulties in solving social problems. The rates of increase in national income used for consumption and accumulation dropped.

The 9th and subsequent five-year plans<sup>19</sup> turned out to be increasingly less balanced with the deep factors of economic growth (see Table 8). From Table 8 one can see that during 1971-1985 there was a considerable shortage of resources for consumption and accumulation as compared to the planned indicators. This shortage, which was accompanied by a reduction of the effectiveness of the utilization of resources, generally speaking, was also the basic impediment to achieving the target points of the plans. There was a clear slowing down of the solution to social problems, although during the 1970's they were given priority over the updating of the production apparatus: the norm for production accumulation decreased during 1971-1980 to 8.4 percent (1951-1970—13.2 percent).<sup>20</sup> It would seem that this priority should generate a "response"—a strengthening of the workers' labor activity. But this hope was not justified. On the contrary, it was necessary to take measures to strengthen labor discipline and to wage a resolute battle against alcoholism.

Table 8—Fulfillment of Plans for Growth of Basic Indicators Under 9th, 10th, and 11th Five-Year Plans

	1971-1975	1976-1980	1981-1985
National income used for consumption and accumulation	72	80	92
Gross industrial output	91	67	77
Gross agricultural output (average annual)	68	56	42
Retail commodity turnover	86	84	70
Volume of consumer services	64	88	72
Real incomes	80	85	67
Average earnings of workers and employees	89	94	90
Monetary earnings of kolkhoz workers from public farming	...	115	145
Labor productivity			
In industry	87	55	74
In construction	78	36	93
In agriculture	20	53	34

Note. The initial statistical data used to compile the table do not take into account hidden price increases that were observed during the period under consideration, and have already been noted in the literature. Accounting for this circumstance would make the majority of indicators somewhat worse.

Sources: "Party and Government Decisions on Economic Issues," Vol 8, pp 615-617; *Pravda*, 30 October 1976; 20 November 1981; "The USSR National Economy in 1982," pp 36-39, 450; "The USSR National Economy in 1985," p 141; the author's calculations.

The connection between the labor contribution and the monetary payment was lost. The classical postulate of political economics concerning the loss of priority growth of labor productivity over payment for labor seemed to be practically forgotten, which is clear when one compares the corresponding lines of Table 8. At first this was true only in agriculture, but then it spread to construction, transportation and many branches of

industry. During 1966-1980 the productivity of public labor increased twofold, and the overall sum of monetary incomes of the population increased 2.5-fold.<sup>21</sup>

Ignoring this postulate led to a strengthening of manifestations of inflation. Deposits in savings banks in 1965 amounted to 18 percent of the overall retail commodity turnover of state and cooperative trade (including public catering), and in 1985 this was already 68 percent.<sup>22</sup>

As target points of the five-year plans, in addition to a consistent rise in the standard of living of the population, they proclaimed acceleration of scientific and technical progress, growth of labor productivity, and increased economic effectiveness of production. But these goals turned out to be impossible to achieve in practice. The acceleration of scientific and technical progress was impeded by the neglected state of machine building, whose products are the major substantial bearer of technical progress. The decline of the leading role of machine building is clear from a comparison of the dynamics of the increase in its output with the dynamics of general industrial output: the coefficient by which the former outstripped the latter in 1971-1975 was 1.6; 1976-1980—1.8; and 1981-1985—1.6.<sup>23</sup> But these figures do not reflect the concealed growth of prices for implements of labor<sup>23</sup> or the existing dynamics of the output of prepared machines used as substantial elements of capital investments. Calculations show that during the 1970's the rates of increase in output from machine building were at the level of the general industrial increase. Under the 10th Five-Year Plan, for the first time in the postwar period there was a reduction of the proportion of science in capital investments.

For the past 15 years industry (see Table 8) has not fulfilled its planned assignments. Before that only once, during the first five-year plan, did it reach its earmarked goal. The fulfillment of the five-year assignment for 1976-1980 by only two-thirds is a generally phenomenal fact that has escaped the attention of planners and researchers.

Hopes of increasing the economic effectiveness of production have also turned out to be groundless. The country's production apparatus has become outdated. During the 10th Five-Year Plan, according to the data of V. K. Faltsman, the startup of capacities decreased by 8 percent as compared to 1971-1975. The output-capital ratio in material production dropped by 34 percent during 1965-1984.<sup>25</sup> According to the data of T. S. Khachaturov, the time period for recouping capital investments in industry has increased from 5 years in 1960 to 11 years in 1975, and in 1977 it exceeded the permissible normative amount by a factor of 3.<sup>26</sup>

Especially alarming is the decline in the degree of fulfillment of assignments for increasing the gross agricultural output. Under the 10th Five-Year Plan there was an absolute reduction of the per capita consumption of milk and dairy products and vitamin-rich food products (fruits). The USSR became dependent on foreign suppliers of feed grain. An increase of currency expenditures for purchasing food and raw material for its manufacture limited the importing of machines. In other words, the unfavorable dynamics of agricultural production became a direct impediment to technical progress.

This picture of the achievement of target points and the fulfillment of the basic assignments of the medium-term plans shows:

the inadequate substantiation of concepts used as a basis for the development of many plans and the unrealistic nature of the plans;

the lack of success of repeated attempts to transform the medium-term plan into the basic point of reference for economic activity, a basis for the development of annual plans;

the inconsistency or contradictoriness of efforts directed toward achieving the formulated goals and the disparity between word and deed that has characterized the past 15 years.

The author does not know of any attempts at an objective cause-and-effect analysis of the fulfillment of medium-term plans. The USSR Gosplan, which is overloaded with "current" business, apparently, does not show any interest in such an analysis. It is remarkable that the results of any five-year plan has usually been described in the form of relations in which they have cheerfully enumerated the achievements and spoken in whispers about individual shortcomings.

Yet a straightforward, thorough examination of the contradictory situations of the past is an indispensable condition for the development of realistic decisions for the future. This is the more important today when we are faced with the problem of breaking the existing tendency toward the slowing down of economic growth and the strengthening of manifestations of stagnation, and also entering on the trajectory of acceleration of socioeconomic development.

The first step along the path of acceleration was taken in 1986. The production of the national income and industrial output exceeded the assignment of the annual plan. A certain amount of acceleration of technical progress was achieved. Labor and material resources began to be used more efficiently: losses of working time were reduced by an average of 20 percent, and the energy-intensiveness and metal-intensiveness of the national income decreased. Assignments for increasing the labor productivity in industry, agriculture, and rail transportation were exceeded.

There is reason to think that the USSR national economy is at a turning point. The rapid growth of the Soviet economy is capable of leading it to the earmarked goals.

#### Footnotes

1. *Pravda*, 15 March 1987.

2. "KPSS v rezolyutsiyakh i resheniyakh syezdov, konferentsiya i plenumov TsK" [The CPSU in Resolutions and Decisions of Congresses, Conferences, and Plenums of the Central Committee], part 2, Moscow, Gospolitizdat, 1954, p 573.

3. Here and henceforth the planned and actual indicators are given from official publications. Because of the shortage of official published information it has been necessary to resort to archive materials of the USSR Gosplan or estimates from researchers. In these cases references are given for the sources that have been used.

Indicators of the first five-year plan were calculated with respect to the fiscal years that began on 1 October. The results of its fulfillment are shown with respect to calendar years. The discrepancy of the data is not great and can be ignored. In literature the provisions concerning early fulfillment of the five-year plan are applied in 1932. For the sake of objectivity the figures are given for 5 years (1929-1933).

4. "KPSS v rezolyutsiyakh....," part 3, p 203.

5. "Istoriya sotsialisticheskoy ekonomiki SSSR" [A History of the Socialist Economy of the USSR], Vol 4, Moscow, Nauka, 1978, pp 373, 374.

6. "Sotsialisticheskoye narodnoye khozyaystvo SSSR v 1933-1940 gg" [The Socialist National Economy of the USSR During 1933-1940], Moscow, Izd-vo AN SSSR, 1963, p 469.

7. "KPSS v rezolyutsiyakh....," part 3, p 339.

8. Central State Archive of the USSR National Economy, fund 4372, inventory 63, file 94, sheet 24.

9. In this connection one should take into account the interests of increasing the country's defense capability. In the report of the chairman of the USSR Council of Ministers, A. N. Kosygin, at the 23rd CPSU Congress (1966) it is pointed out directly that the CPSU Central Committee and the USSR Council of Ministers were forced to proceed toward increasing expenditures on defense. Apparently their burden was heavy enough for the national economy, taking into account that we were greatly behind the United States in military potential which had been allowed previously. "The Soviet Union...was able with more limited (than the United States—B. O.) economic resources to achieve equality of military potential with the United States by the beginning of the 1970's" (*Mirovaya Ekonomika i Mezhdunarodnyye Otnosheniya*, 1979, No 12, p 18).

10. Central State Archive of the USSR National Economy, fund 4372, inventory 66, file 93, sheet 11.

11. Ibid., sheets 26, 28.

12. "The USSR National Economy in 1965," p 666.

13. Ibid., pp 567, 602.

14. *Voprosy ekonomiki*, No 4, 1968, p 52.

15. One can judge the lack of an adopted five-year plan from indirect signs. For example, in the announcement of the USSR Central Statistical Administration concerning the results of the fulfillment of the plan for 1969 certain indicators of that year were compared with "Calculations for Directives for the Five-Year Plan" (*Pravda*, 25 January 1970).

16. *Pravda*, 11 October 1967.

17. Central State Archive of the USSR National Economy, fund 4372, inventory 66, file 93, sheet 4.

18. *EKO*, 1986, No 2, p 29.

19. Beginning with the 9th Five-Year Plan, plans began to be confirmed in sessions of the USSR Supreme Soviet. Laws that it passed concerning five-year plans reflect the basic indicators of economic and social development of the country with year-by-year breakdowns. The plan for the 9th Five-Year Period was published ("State Five-Year Plan for Development of the USSR Economy for 1917-1975," Moscow, Politizdat, 1971).

20. *Voprosy ekonomiki*, 1986, No 2, p 16.

21. *Voprosy ekonomiki*, 1982, No 7, p 5; "The USSR National Economy in 1980," p 40.

22. "The USSR National Economy in 1982," pp 414, 430; "The USSR National Economy in 1985," pp 448, 458.

23. "The USSR National Economy in 1985," p 38.

24. During 1917-1975 the prices for machines per unit of their productivity increased by 7 percent and during 1976-1980 by 15 percent (*Voprosy Ekonomiki*, 1984, No 6, pp 39-40).

25. *Voprosy Ekonomiki*, 1986, No 2, p 21.

26. Ibid., 1979, No 7, p 124.

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**Ways of Introducing Brigade Method Discussed**  
18200034d Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 11, Nov 87 pp 54-72

[Article by I. M. Starikov, candidate of pedagogical sciences, division chief of the Center for Scientific Organization of Labor of the Shipbuilding Industry (Nikolaev): "Give the Brigade a Point of Rest!"; first paragraph EKO introduction]

[Text] The author of the article we are offering for the readers' attention has already appeared in our magazine. Today he continues a subject he began in "Notes on



Brigade Methods of Labor" (*EKO*, 1984, No 6) which was also touched upon in certain other articles published in the magazine during the past 2 years. The author is opposed to a simplistic, "campaign" approach to the introduction of brigades and sees in brigades not only a form of organization and payment for labor, but also a path to improving production relations at the socialist enterprise.

#### Initiative, Computers and...The Directive

When I was handed a ticket inviting me to the International School for Studying Advanced Experience in the Utilization of Computers for Planning the Work of Brigades paid according to the final results of their labor I thought: "Is this not merely following the fashion?" We have not yet figured out in detail everywhere how the brigades themselves should work and here computers are being "attached" to them. One recalls how such measures were conducted most frequently in places I had occasion to visit previously. Some boss representing a plant whose experience is being disseminated reads a speech that has been prepared for him ahead of time. In the hall there is a uniform hum of the audience speaking about their own affairs....

But this time everything began differently. Instead of a spacious, official-looking cold hall, there was a clean but not ostentatious day room of the machine assembly shop of one of the Nikolayev enterprises. The people who had come to participate in the school were not given the traditional set of postcards with views of the city, but samples of brigade plans prepared using computers. The engineers and workers who came representing brigade councils looked at these documents with interest. And even before the beginning of the school, they clustered in a tight circle around the chief of the plant's laboratory for scientific organization of labor who had introduced the innovation. But I was impressed most of all by the satisfaction with which the variegated group of specialists and workers who had gathered from various parts of the country listened to the chief of this very shop where the school had taken place.

There was an interested and businesslike silence. There was neither coughing nor talking. Without looking at his paper the speaker discussed how he had managed to coordinate the computer with the brigade organization of labor. The machine's electronic brain which forgets nothing "took responsibility" for accounting for the list of many thousands of parts and operations in the shop and the formation of plans for each brigade. Moreover, the machine takes into account the necessary technological sequence for the performance of the work, the number and vocational composition of the primary labor collectives, the level of fulfillment of the norms they have achieved, losses of working time, and many other factors.

The shop management was given the opportunity not only to distribute to each brigade its "particle" of the shop plan much earlier, several days before the beginning of the month, but also each day to check on the course of its implementation. The plan for the local collective was given a scientific basis. When the shop chief had completed his speech he was showered with questions. The specialists tried to penetrate into the heart of the innovation and be convinced of its reliability. They asked about the most diverse things. How many years did it take to develop such a system? From what services did the specialists participating in its creation come? How did the shop cope with the production plan last year, and were there interruptions? And when they found out that once the shop did not fulfill the assignment, they wanted to know the reason.

The shop chief was silent for a while and for some reason looked at the representatives of the directors who were sitting in the presidium and not very loudly explained that the collective had received a plan that was 20 percent greater than was calculated for that month.

From the first row, like a shot in the dark, came the question:

"But why did the brigade councils approve plans that were clearly impossible to fulfill?"

"We explained to the workers that calculations are calculations but the plant had received a directive from the ministry...."

The audience laughed. Quietly, even sympathetically. Then other plant specialists spoke, as was envisioned by the school's program. But something had happened to those in attendance. There were almost no more questions. And when the school was ended and its participants began to leave the day room, I noted that the white perforated sheets with samples of the plan had been left on many of the chairs.

When contemplating this cause, I thought about how difficult it is for new brigades to fit in with old, arbitrary methods of management. There are reasons why the methods do not change as rapidly as one would like. And here is one of them. Having understood the expediency and the great possibilities of increasing the effectiveness of production as a result of creating contract brigades and improving economic relations, we began to repeat the word "cost accounting" frequently and in the most diverse combinations. We use it appropriately and inappropriately, frequently forgetting that cost accounting is impossible without...accounting. And according to the Dictionary of the Russian Language, which does not diverge with economic concepts here, the word "accounting" means precisely taking into account data or possibilities necessary for achieving something. Therefore it is no accident that in places where cost accounting forms of labor organization and production relations

come in conflict with managerial voluntarism, skepticism is generated. And then people begin to lose confidence in any plans, even those drawn up with the most modern equipment.

#### "Frightening Consequences" of the Contract

The more widespread contract brigades become, the more contradictory the opinions about this new form of organization and payment for collective labor are. At a seminar devoted to new methods of management, I heard a sentence that impressed me:

"The contract," said the director of one of the plants that had experience in organizing contract brigades said in his speech, "attracts us with its possibilities. And it frightens us with its consequences."

At that time I did not quite understand what consequences he had in mind. But I myself thought that the most serious difficulties are associated with the psychological restructuring that is required with mass changeover to brigade organization of labor, to contract and cost accounting brigades. Now people speak and write frequently about the need for this restructuring. But when you ask even the most experienced managers and businessmen what these changes amount to, you rarely get concrete answers. And this is alarming. The sooner we are able to distinguish and interpret everything new that cost accounting relations bring with them to our production life, the more painlessly and rapidly the restructuring of our consciousness will take place....

I have known Maksim Dmitriyevich, the chief of the shop for building slips at one of the shipbuilding plants, for a long time. He is now recognized as the senior manager of shop production collectives—and not so much because of his age as because of his experience working in this troublesome and very difficult position. And I recall how many years ago my comrades and I, novice production masters, were surprised to learn that in our newly organized shop for ship assembly in slips the deputy shop chief for preparing production was to be Maksim Dmitriyevich, who had been brought over from the design division. We were interested to see whether the young engineer's enthusiasm from the institute would last long and how he would behave after experiencing the quiet life in our shop boiler.

With the condescension of old production wolves we observed how during the first month he was disturbed when he found out from some foreman that the storeroom did not have an instrument or material that was needed. He immediately began to make telephone calls or, having made a note of this, he hastened to take immediate measures. In spite of our sympathetically skeptical attitude toward his "fuss," he would "scare something up" or achieve something, and our storeroom became appreciably richer. Brigade leaders and foremen from neighboring shops even began to come to us and ask to borrow some new thing that we had.

Then, I recall, he was sent to the Baltic area for a week in order to change experience. When he returned Maksim Dmitriyevich told practically everybody in the shop about how nicely they had decorated the interiors of the production and social areas at enterprises of Riga and Tallinn. And one time in the evening, after the shift I saw Maksim Dmitriyevich in a jacket covered with powdered lime and spots of paint of various colors, like those of our plant painters. He was standing next to the storeroom washing his brushes in a container of kerosene. Having caught my surprised glance, he smiled enigmatically: "Would you like to see what is happening?"—and he took me into the workers' dayroom. The side wall of the room was now blue instead of white. A yellow segment of sun coming down from the ceiling illuminated several birch trees which hung down toward the spectators. It seemed to me that even the smell in the room had changed.

Therefore when I read recently in the oblast newspaper that a contract brigade had been created in Maksim Dmitriyevich's shop I was not surprised, but I decided to find out how he managed to do this. After all, the slip shop is the heart of the shipyard. Hence it has thousands of technological, production, and supply ties not only with all the shops of the shipyard, but also with enterprises of many other cities of the country.

After a couple of months I looked in on him at the shop. Maksim Dmitriyevich, active as a young man, in a white plastic helmet, was walking rapidly along the slip where the body of an ocean trawler was growing up "swaddled" in a forest of scaffolding. Judging from everything, Maksim Dmitriyevich's energy had not slackened. Even from a distance I saw the bright placard announcing that the collective of the shop's comprehensive brigade was making a commitment to release the ship a month ahead of the established deadline.

"Did they apply the contract to this order?" I shouted, trying to be heard over the noise of the shipyard. The shop chief nodded and took me to his office where it was a little quieter. I was interested in whether or not he was satisfied with the result of the work of the contract brigade.

Maksim Dmitriyevich took off his helmet and placed it next to him on the desk, tapping on it with his fingers:

"Thank God, we are coming to the end...."

"The order?" I wanted to clarify.

"No, the contract. This month we are producing the trawler and then—that is it...."

"What, will there be no more brigades like this in the shop?"

Maksim Dmitriyevich laughed:

"No, let others try them now. Perhaps things will go better for them."

I asked him to explain why the contract had not taken root here.

"Because the work is mainly here," Maksim Dmitriyevich tapped his white helmet with his fingers and explained:

"In the shop leadership.... It tied my hands and legs. There is no workforce, it is necessary to transfer people to another order, and they do not want to go. You see, they now have a contract in their hands. Demagoguery is beginning: who is to blame for the fact that the sections are not here on time? Why are the deliveries late? I do not need to find out who is to blame, I just need to fulfill the plan. The scandals reached the party committee. I am now up to here with the contract"—he put his hand to his throat.

I listened to Maksim Dmitriyevich and began to understand what the director had in mind when he spoke of the "frightening consequences" of the contract. I also thought how difficult it is for the contract in industry if leaders who are drawn to the new react to it this way. Up to this meeting I thought for a long time about why the contract is so unwanted here. Here is what I entered in my notebook: "The contract puts an end to arbitrary behavior and irresponsibility on the part of management. It gives the opportunity and the right to the local labor collective not only to hold the administration accountable for omissions in preparing production and interruptions in supply, but also to demand reimbursement in rubles for all losses occurring from such blunders of an organizational and planning nature. The contract, like litmus paper, makes all mistakes in the preparation of production and the slightest malfunctions clearly noticeable. In other words, the brigade that has concluded a contract becomes—because of the peculiarities of its economic essence—a strict controller of the quality of management. And this is at all stages of administrative leadership. It is obvious therefore why it is so unpleasant for the contract. And like any other innovation, it is complex. Experience shows: it is simpler without the contract. But the results are different. They do not meet today's requirements and tasks. It is much more effective to work with the contract. But it is more complicated and more responsible."

Is it perhaps with an awareness of these truths that the most necessary restructuring of our psychology would begin?

#### **On the Feeling of a Master and Proprietary Ways**

...Who does not know that song that has become a truly popular one by Dunayevskiy and Lebedev-Kumach to the effect that every person in our immense country feels that he is the master in it? People were singing it back in the 1930's. So why is it necessary for us to speak today

about the need to instill the feeling of being the master? How and why have we lost it? Obviously, public ownership of the implements and means of production in and of itself is not sufficient to instill a proprietary leaning in every citizen. It is no less important that the very attitudes formed in the process of work cause each one of us each day to work and act the way a thrifty master should....

Once quite by accident I was a witness to this episode. In a noisy and "densely populated" office of a shop for section assembly, I heard a young foreman in a blue jumpsuit on which the VUZ insignia displayed ask a worker:

"Have you not forgotten that two vocational and technical school students are coming to your brigade tomorrow?"

The middle-aged shipbuilder answered calmly:

"I have already said: the brigade has decided not to accept them for the third category. We observed them in practice. The kids could hardly make it in the second category. But they were assigned the third category so that their school report would look better. Our brigade has been changed over to a general order and we cannot afford to take on parasites."

"Well yes," responded the foreman, "now all we hear from you is that it is disadvantageous or it is not worthwhile.... These proprietary ways only impede the matter. You are the leader of the collective and you should look at everything from the standpoint of the state...."

"That is the way I look at things," the worker interrupted, "and I see everything differently. Anything that is disadvantageous to the work brigade cannot be advantageous to the state."

In the silence that fell over the office after the worker left it became clear that I was not the only one who had heard the conversation....

I related this case to a worker I know who for many years has been in charge of the council of brigade leaders of the largest shop at the shipbuilding plant. "Well, that is familiar to me," he smiled. "As soon as a brigade begins to keep track, everything around it changes."

Having noticed my surprised glance, he began to explain:

"Take my brigade, for example. As long as they were working like everyone else, all was peace and quiet. We were not especially disturbed about down time. We knew that the foreman and the norm setter would come to an agreement at the end of the month and 'scare up' wages for us. These would be enough so that the people would not be left without money and the percentage of reworking of the norms was not glaring and would not cause too



many questions. And the fact that the workers in the shop began to call wages 'payment for nothing'—the leaders only laughed about this. Jokesters will always come up with something!

"We do not grieve if we use too many materials, either. We simply call the technologists and they will correct the documentation—and that is all there is to worry about. The brigade has always been among the leading ones. But now we have changed over to the contract and cost accounting. We began to count an account for everything. We began not simply to receive our wages, but to earn them. Oh, what I did not hear during that year! How they accused us of being overly zealous, of being money-grubbers, and they reminded us of those same proprietary ways.... But let me note, the brigade is doing much more than it did before," he paused for a long time before completing his thought, "and they have begun to invite us less frequently to the presidiums for festive meetings...."

And bitterness could be heard in the worker's voice.

How does one explain such metamorphoses? It would seem that this is the problem. Because of the fact that for many years the "mechanism" of interest in the concrete results of labor was inactive in our economy. We are still afraid when, under the influence of the changes taking place in the national economy today, personal interest awakens and begins to make its way into life. In the old way, we hasten to place some kind of label on it. We do not always understand how closely this healthy personal interest can be linked to that very feeling of being a master which we strive to instill in workers but which in fact we do not always welcome.

#### Experiment

He entered the roomette before the train left. Young, very tall, with a thick, unevenly colored beard. He introduced himself to everyone immediately: Nikolay. It turned out that he worked as a foreman and was being sent to Kaluga along with a group of plant specialists. As he put it, they were to gather tidbits of information about brigade affairs.

He took from his briefcase a small booklet in a green cover about the Kaluga variant of the organization of the labor of brigades. Certain places in it were underlined in green and blue and red. It appeared that the book could not be read in one sitting.

"Tell me," Nikolay asked me, "do you believe that the director of a large plant, as it is written here, can find time for meetings and conversations with brigade leaders?"

I answered that that is quite possible. Because I know both the director and the chairman of the council of brigade leaders at the Kaluga Turbine Plant.

"Well, we shall see," Nikolay looked at me without confidence, from his tone I understood that he would be analyzing the experience of the Kaluga workers down to the fine points.

A couple of months later I happened to be at the plant where Nikolay worked and learned that in their shop they had begun to create brigades according to the model of the Kaluga workers. And when passing by the plant screen for socialist competition I also saw that there among the winners was the collective of the section headed by Nikolay. Apparently the trip to Kaluga had profited the young foreman.

Therefore I was very surprised when I saw recently in one of the rooms of the technical division of the plant administration that familiar beard.

Going with me into the corridor, Nikolay took out a cigarette and offered me one.

"I am getting used to a new workplace after the experiment."

"What experiment?" I did not understand.

"After that trip to Kaluga I too became fascinated by brigades. Then a new chief came to our shop. He was not one of those who managed according to the principle: Go ahead, and we will figure it out later. He was a person who thought. If necessary, he would take a risk. I suggested to him that in my section we take the three separate brigades and create one comprehensive one. He liked the idea. But the brigade leaders set two conditions for us. First: The plan should not be calculated from the level that had been achieved, but on the basis of assignments for the shop for the five-year plan. Second: The norms were not to be touched unless there were changes in technology or certain technical innovations were introduced.

"We consulted in the shop. The risk was minimal. It was a series order, calculated for several years. We knew the labor-intensiveness of the work; it had been tested in practice. We ended up with something like a contract. The shop guaranteed the stability of the planning and normative indicators, and the brigade guaranteed to complete the work within the established time period.

"At a section meeting they filled out the agreement and selected a brigade leader. The next day he came to me and announced that the brigade, having consulted, decided that it could carry out the assignment with a smaller number of personnel. They ask that we take three people from them. I was glad to. There are not enough people in the shop. We transferred them to another section. Within a month they let go two more. And then several of them. Five months passed and instead of the previous 36 people in the brigade there were now 27. And they were keeping up with all the work schedules.

They did not miss a single deadline. True, our shop norm setter stopped greeting me because the output norm in the section was a record. It was the highest in the branch.

"Then the shop chief called me in and said:

" 'Listen, Nikolay, we will have to put a stop to your experiment. I am tired of writing to the division of labor and wages each month and explaining why you have such high output in your shop. Now the director has arranged for an inspection. Because of your indicators a commission has been sent to the plant from the ministry. They will verify all the norms.'

"They conferred on what to do. The shop chief judged correctly: the workers cannot be deceived. Since we promised them not to touch the norms, this means that we will not revise them. We decided to return to the old way. We returned to the section the people who had been 'cut.' The labor division was glad. Everything in the shop was in order with respect to output. It was even lower than that of others. Only life, apparently, is arranged wisely. It cannot move backward."

Nikolay inhaled deeply. After a pause he continued:

"The brigades are the same as they were, but I feel that the relations among people are already different. You almost have to beat the norm setters with your fists in order to get an order for additional work or work that is not accounted for. But this is not even the most unpleasant thing. If necessary I will verify any norm myself, they do not cheat us very much. But what will I tell the workers at the "5-minute meetings" or the political information meetings? About the need to save each minute of working time? Or where we should look for reserves for increasing labor productivity? All these correct words stick in my throat because of my embarrassment. I could not stay in the shop and request it to be sent here. I am grateful that my superiors understood. They let me go without any fuss," he smiled awkwardly and smoothed his multicolored beard. And it seemed to me that a good deal of gray had been added to it since the time of our last meeting.

#### Printed Matter From Leningrad

Everyone is familiar with the feeling of reverence that comes when one holds an old book or archive document in his hands. We have the opportunity not only to come in contact with history, but also to figure out what has been acquired or lost with the years. I experienced something similar on the day when I received some printed matter from the Central State Archive of the October Revolution and the socialist construction of Leningrad. The printed material had this prehistory. In the book by Dr of Historical Sciences I. Ye. Vorozheykin, "Chronicle of Labor Heroism," I found mention of

the fact that the first cost-accounting brigades in industry were created at Leningrad plants. I wanted to find out how and when this took place. The archive responded to my request.

I ran my eyes over the photocopy of the first page and was surprised. Perhaps there had been some understanding and the archive workers had confused something and placed different material from what I had requested in the envelope? The archive document began in a way that is very familiar today:

"And then agreement. In connection with the decision of the party and the government to change enterprises and their individual units over to cost accounting, we the undersigned chief of the iron smelting shop of the Baltic ship building and machine plant, Comrade Kurskiy, the parties of the first part, and the molding brigade of Comrade Nikolayev of the same shop, consisting of 14 people represented by the brigade leader, the party of the second part, have concluded the present agreement that Comrade Nikolayev's brigade will change over, and the shop chief will change it over to cost accounting."

Next followed 17 points with an indication of the specific economic indicators that were to be achieved by the brigade operating under the conditions of cost accounting. Also enumerated were the commitments assumed by the administration of the shop to provide for the brigade's continuous work.

The agreement was signed by the shop chief, the brigade leader, and the workers, and the date was 14 April 1931.

This means that the archive workers were not mistaken. They had found precisely the document I had requested. They had even done more—they attached a photocopy of the report on the results of the work of Nikolayev's brigade under the new conditions. Kolpakov, the plant economist, scrupulously compared the results of the brigade's work before and after being changed over to cost accounting and established that the volume of output manufactured by this collective increased by 30.2 percent, output per one man-hour increased by 15.5 percent, and defective work decreased by 65 percent. The cost of the products produced by the brigade was 19 percent less than planned.

Kolpakov's signature, which attested to the veracity of the impressive figures, had faded with time and was barely visible on the photograph, but the conclusions he drew are clear even now. "All this," it is written in the plant document for that long-past year of 1931, "shows that the changeover of the brigade to cost accounting was completely justified."

I finished reading the materials that had been sent and imagined this situation. What if one of the people who had signed this document or had participated in the experiment were still alive? He looks at today's magazines and newspapers with articles about the need for

developing cost-accounting relations. He thinks about our economy and about the history of "development in a spiral" and brigades in the modern new form which are so similar to those first brigades. How similar the children are to the fathers....

What is the peculiarity of today's contract brigades as organizational and economic innovations? Probably that the splash of the effectiveness of the work in the collectives that have been created takes place mainly as a result of the "human factor." It is certainly no accident that when discussing on the pages of EKO his many years of personal experience in leading a contract brigade Hero of Socialist Labor V. P. Serikov recognized that he found answers to the questions raised by the life of the collective not in the methodological recommendations on brigade forms of organization and stimulation of labor, but in the pedagogical works of Anton Semenovitch Makarenko.<sup>1</sup> And it is quite predictable that, having paid close attention to the new types of brigades, a journalist in an essay entitled "Brigades at the Crossroads" came to the conclusion about the close connection between the economy and morality and the need to evaluate from the position of our socialist morality all processes and changes taking place in the primary labor collectives with the development of cost accounting relations.<sup>2</sup>

But here it is very important not to jump from one extreme to the other. And this danger exists. The rosy tones of the first articles about brigade methods of labor are beginning to change into gray skeptical ones. Sociologists and workers of enterprises, when discussing brigade affairs, and the latest articles on these problems also express these doubts: is the money spent on contracts not being taken away from more important goals? Are the brigade leaders, who as a rule are no different from their comrades either in terms of the level of their education or their culture and who are concerned most of all about good wages, in a position also to worry about the moral education of their collectives?

This kind of concern makes me smile. Again I recall those years when I worked as a foreman in a shop and the lessons in morality I received there....

First lesson. I was almost the same age as the brigade leader Volodya Rymbalovich and we call each other by our first names. Many of the guys who had come to the shop with me after graduating from the VUZ envied me. They ended up with brigade leaders who were much older than themselves and it was not clear who was leading whom.

I immediately found a common language with Volodya. There was only one thing I did not like about him—how rude he was in dealing with his comrades at work. They were basically the same kind of young people who had recently completed vocational and technical schools, but when speaking with them he frequently raised his voice and was not above using foul language. On the second

day of our working together I could not restrain myself and after we had been left alone in the office I criticized him sharply for his vulgar language. He listened to me and then waved his hand:

"You get out of here...." and he added a couple of obscene words.

At that moment a worker from his brigade poked his head into the office.

"Comrade Foreman," he addressed me, "they sent me to get you. They cannot figure out how to place the diagonal," he pointed with his hand to the slip where the brigade was working.

"Let us go take a look," I said to Volodya.

As we were going up the ladder to the place where Rymbalovich's team was working, I was feverishly trying to remember what a diagonal is.

On the deck I saw an ordinary piece of channel bar. The worker was kicking it:

"Here, Comrade Foreman, it needs to be straightened here, but we do not know how to place this diagonal: this way or that way"—he made a cross with his hand on the body of the ship. From his hasty speech and from the emphatically polite "Comrade Foreman" I understood that this was not simply a request for advice, but a test. Volodya understood this too and slyly looked at me from under his brows.

And I did not know how to answer. I had been taught well how to calculate various types of shafts for durability and to construct stress sheets, but I did not have a clue as to how to install this damned diagonal made from an ordinary channel bar. And I had a clear idea of how the authority both of my diploma and my position were now falling in the eyes of the guys.

Suddenly Rymbalovich came forward:

"The foreman and I were just in his office talking about how this should be straightened here. He suggested doing it this way"—and the brigade leader confidently took his chalk and marked the place on the body of the ship where the reinforcements should be....

Second lesson. Another brigade leader, Aleksey Petrovich Kovalchuk, on the first day we were working together announced:

"Your task is to write the orders promptly and to make sure that the brigade is not left without money. And how to do that is our concern. We will not let you down."



But when it came to the norm setter, no matter how hard I tried I could not develop a relationship. Kovalchuk's brigade did a lot of work of various kinds and experimental norms were set for it. But because of my small amount of experience, the norm too brought nothing but trouble, as Aleksey Petrovich unwillingly stated. But one day I got lucky. An official memo about changing the foundations came from the design division. I looked at the blueprint. There were two small brackets, about 30 minutes' worth of work. But with the existing situation with respect to earnings in Kovalchuk's brigade, one could not ignore even such small things.

"What are these foundations for?" the norm setter asked, having read the official memo which I had brought to him.

"For the Tatot Press."

The norm setter could imagine something impressive behind the sonorous name.

"Will about 7 hours be enough for one?" he asked me. I nodded and then turned around so that he could not see the joy in my eyes. In my mind I calculated rapidly: 7 hours for moving one foundation and it is pointed out in the note that there are a total of seven foundations and they have to be moved at all five construction sites.... Perhaps this month one can be satisfied with the earnings of Kovalchuk's brigade. The brigade leader whom I decided to gladden with the advantageous order looked tentatively at it and then at the blueprint.

"You and the norm setter have confused something. This is for a different job."

"No, it isn't, everything is correct. It is just that the norm setter did not look at the blueprint. He was relying on his experience," and I could not hold back a satisfied smile.

But Kovalchuk returned the order to me.

"Well, to hell with it. Give it back and let them norm it right." And he added:

"From underhanded work you sweat more quickly, and underhanded money will not let you sleep...."

Third lesson. The cheerful, talkative Aleksandr Zakharovich was an excellent gas welder. But he did not work in a brigade, but alone. And it is no accident. It would sometimes happen that without any warning for several days he would not show up at the shop. Then he would return all rumpled and guiltily shifting his eyes.

He would always respond to my indignation in the same way:

"Foreman, do not worry. Work will not gather dust because of Zakharych."

And indeed, within a couple of shifts he had made up for what had been lost.

But when at the section they created a comprehensive brigade, he too had to work with other people. At first everything went smoothly. But then the "phone call" came to the plant. This is what the production workers called the announcement that someone had ended up in the drunk tank.

Feeling guilty, he talked with me about this several times and went to the plant committee. But nothing helped. The entire brigade was deprived of their bonus and they were not considered for a prize position in the socialist competition, although the brigade was the best in terms of production indicators. Aleksandr Zakharovich left the brigade meeting, his face all red, and did not say good-bye to anyone.

For several days he was gloomy. I was afraid that he had "slipped" again. But when I found that he had come to work again all concerned, I was interested in what was happening.

"You understand, they put my wife in the hospital for observation period. We are expecting a child. In the evenings I have to go get my daughter from the kindergarten myself. We have nobody else in the city. And now my turn for an apartment has come. But they write that you need to work 240 hours in construction or otherwise they will not give you an order." He showed me the note. "God knows what I am supposed to do. I will have to take a discharge, Foreman."

"Let me talk with the brigade leader," I suggested.

"Now they all look at me like I was a wolf. They are ready to strangle me because of those rubles they lost because of the 'phone call,'" he spit maliciously and left.

Still I spoke with the brigade leader. I found out which building he had to work on. The next Saturday at 8 sharp the complete brigade gathered in the supervisor's box car.

The noisy Aleksandr Zakharovich, having seen how many people came, made an even greater fuss: "Write it down, boss, write it down," he told the supervisor. "They have all come for me. This is my foreman, this is the brigade leader. We will move mountains for you today."

"Wow," the supervisor smiled, "you have arranged a work Saturday for me. How did you earn the respect of these people? What services made them decide to work for you?" And he looked around confused, not understanding why everyone was laughing. Aleksandr Zakharovich was laughing right along with everyone else. To this day I remember well that friendly, unifying, purifying laughter. And no more "phone calls" came to the section.

But it was not only a matter of subjective impressions. Does the example of the Novosibirsk workers and other bold men who began to extend the experience of the brigade contract to the shops and sections really not tell of the moral purity and high morality of relations that formed among people who were really interested in the results of their labor? Let us consider these facts.

Workers of the USSR State Committee for Labor and Social Problems and the ministries understand that production foremen today are not paid according to their labor but there is nothing they can do. But the workers of the Novosibirsk Elektrosignal Plant, with the agreement of all members of the contract collective, are rectifying this situation and regularly increasing the coefficient of labor participation for their foremen.<sup>3</sup>

At many plants of the country engineers are placed on conveyors so that they can at least temporarily "cover" the shortage of workers. But in contract collectives of the Ob' Leather Footwear Association, by a decision of the workers themselves, they release the engineers from labor on the conveyor and demand: Create something new, that is what they taught you to do. And they are not stingy with encouragement for those who are capable of creativity. Is that not a confirmation of the moral health of the labor collective that is interested in the best results of its labor? Does one not feel here a readiness to consider personal interests from the standpoint of the state?

Yes, economics and morality are interconnected. Therefore it is necessary to look more attentively at the lessons of the leading workers and open up the road more boldly and widely to the collective contract, cost accounting relations, and research and experiments in this sphere. Thus we will give the brigades that "support point" with which they will be able to become the real masters of production and restructure production relations. The fresh breeze of increased personal interest will help our economy to rid itself more rapidly of the bacilli of voluntarism and the microbes of indifference. And this means that the inexhaustible reserves of the human factor will be utilized more completely and more humanely.

#### Footnotes

1. Serikov, V. P., "The Brigade of the Future?," *EKO*, 1985, No 12.

2. Maksimova, M. K., "Brigades at the Crossroads," *EKO*, 1985, No 8.

3. Kutyrev, V. P., "Combining Individual and Public Interests," *EKO*, 1986, No 1.

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#### Record-Keeping Consulting Center Discussed

18200034e Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 11, Nov 87 pp 73-89

[Discussion by L. V. Kotin, V. S. Mingalev, and N. A. Starov led by Ye. Lysaya: "Record-Keeping Consulting Center"; first three paragraphs *EKO* introduction]

[Text] In this issue of the magazine we are presenting one of the organizational forms of management consulting—a consultation center under a VUZ faculty. These centers have many advantages, but there are also plenty of problems. On the one hand, they make it possible to enlist qualified management specialists for consultation and to bring new ideas and scientific methods of organization of management into practice. On the other hand, they do not have the organizational completeness or independence and they do not bear cost-accounting responsibility which, of course, reduces their effectiveness as compared to what is possible in specialized cost accounting consulting organizations which, unfortunately, do not exist yet. But such centers can be extremely useful because of the consolidation of the forces of qualified experts in economics and management and the development of forms and methods of work with clients under the conditions of the restructuring of the national economy and the changeover to the intensive path of the development.

Our correspondent discusses the experience, problems, and prospects of development of consulting centers at VUZes with instructors of the faculty of state record keeping of the Moscow State Historical Archive Institute.

The conversation with the organizers of the center—L. V. Kotin, professor, doctor of technical sciences, head of the faculty of fundamentals of state management, V. S. Mingalev, candidate of the historical sciences, dean of the faculty of state record keeping of the Moscow State Historical Archive Institute, docent, and N. A. Starov, candidate of economic sciences, leader of the consulting center, Moscow.

*EKO*: Today your institute holds one of the most active positions in the organization of management consulting. What does this involve? What caused you to take up the creation of a consulting center? What tasks do you set for it?

V. S. Mingalev: The organization and technology of work with a document as the most important means of registering, storing, and transferring information, the document as an instrument of management and as a means of propaganda of the achievements of social and scientific-technical thought—this is the basis of our training plans and disciplines. And this knowledge is very necessary to workers of the state management apparatus. Our faculty trains specialists mainly for record-keeping services and

personnel ministries, departments, institutions, enterprises, and organizations. In particular, for such subdivisions as management of affairs, management of personnel, general divisions, the abstract office and the control-inspection service under the management, divisions and other subdivisions of scientific organization of labor and management, subdivisions of the information reference service, and so forth. It is no wonder that the specialists who try to come to us for evening and correspondence forms of training already have a higher education in the profile of their branch or department, but are aware of the need for additional training in the area of the organization of management work and record keeping. So far we are unable to satisfy these demands in spite of the fact that the day division of our faculty has about 500 students, the evening division—600, and the recently organized correspondent division—already more than 300. Therefore the faculty is providing consulting and constant work for increasing the qualifications of management personnel of the Ministry of the Electrical Equipment Industry, the Ministry of Public Health, Gosstroy, the Moscow Gorispolkom, the State Committee for Publishing Affairs, the Gosagroprom, and other ministries and departments.

The need to master system methods of organizing document circulation, to improve the organization of management labor, to form information bases using modern means of organizational and computer equipment is so great that we are flooded with demands for assistance.

For example, the geography and scope of record keeping and document circulation of the USSR Ministry of the Maritime Fleet are global, and not in the figurative, but in the literal sense of the word. Soviet ships furrow the expanses of the world ocean in all directions and for several months a year they are far from their ports. They need special methods of operational solution to problems and decision making. The Ministry of the Maritime Fleet has introduced record-keeping technology that is oriented toward the utilization of electronic mail through a communications satellite. Here many questions arose for which it was necessary to find answers: is it possible for legal force to be carried not by the personal signature of the ship captain, but by a facsimile of it that is transmitted through the electronic mail? What should the blank of an electronic document be like. And there were many other procedural, legal and technical problems for which consultants had to find answers. People come to us with requests to diagnose the organizational condition of an institution and help it to improve, they ask how to develop an automated system for monitoring execution, and they ask for instructional and methodological materials on record keeping. In order to systematize this work and concentrate it in one place, 3 years ago we created the consultation center for the organization of management work and record keeping.

L. V. Kotin: Nikolay Alekseyevich Starov and I have been engaged in consulting activity for 2 decades now, both through the Znaniye Society and in the consultation

commission of the Committee for Management Problems of the VSNTS [All-Union Council of Scientific Engineering and Technical Society]. But we came to the conclusion that consulting activity could be more effective if it were concentrated in special centers on the basis of the leading VUZes, scientific research institutes for management and economic, institutes for increasing qualifications, and other organizations which can contribute to its development.

EKO: Tell us, please, about the forms and methods of work of your consulting center.

N. A. Starov: The first step in the activity of the consulting center was the preparation of a card catalogue of consultants and clients and the determination of the subject matter for consulting since it was necessary to have a clear idea, on the one hand, of what the consultant-instructors and scientific associates of our institute know and, on the other, what assistance is needed by the managers of institutions, enterprises, and organizations. For future clients we have published information sheets which give the subject matter, forms, methods of work, and conditions for cooperation. After this we received more than 100 orders from organizations of the Ministry of the Chemical Industry alone.

We made a special form for application for consulting where the client formulates the subject and selects the kind of cooperation (one-time consultation or in a group, lecture-discussions with its personnel, an economic agreement, through a labor agreement or concerning creative cooperation, and so forth).

Many times cooperation with the clients arose after lectures or seminars on consulting in the lecture room of the Znaniye Society, where the audience had specific questions and a desire for a consultant to help them solve various management problems. It seems to me that seminars and public lectures are a good stimulus to begin cooperation with future clients and they help to find a common language.

EKO: It would be hard not to agree with that. But still seminars, lectures, discussions and other forms of work that draw large audiences, it seems to us, can hardly be considered the most effective forms of consulting. After all, consultation presupposes satisfaction of specific needs of the client organizations, taking into account their specific features and their individual demands....

N. A. Starov: Of course, seminars, lectures, exhibits and similar forms cannot be the basic ones. They play an auxiliary role, although an extremely important one: they make it possible to reveal the interest in various innovations which have been discussed during public discussion and to prepare the client for carrying out development, for example, in order to obtain theoretical information. Then the work itself begins. During the process of diagnosis and "pilot" research and conversations with the representatives of the organization, we



determine the program for consultation. Some orders we turn over to the scientific research sector of the institute in order to form a scientific group and conclude an economic agreement. In other orders the clients prefer to invite instructor-consultants under the conditions of labor agreements, as a rule, in order to perform certain one-time jobs or render assistance in the creation of a group of "in-house" consultants and their methodological training for implementing the innovation proposed by the consultant and in order to increase the qualifications of workers while resolving concrete situations having to do with improving management (business games are utilized extensively and a group of business games on management have been created in the faculty).

V. F. Mingalev: For instance, our seminars for management workers of personnel services have become traditional. We conduct them every month and receive larger and larger audiences, which is even bothering us. We can explain the interest in the seminars. The need for training and increasing the qualifications of specialists of personnel services is immense, and this work was not taken seriously for a long time. It was somehow out of the profile of all the higher educational institutions.

If we look at personnel services from a broad perspective, it is necessary for them to have knowledge in the most diverse areas. Do they need the fundamentals of sociology and psychology? Undoubtedly! They must also be knowledgeable in questions of administrative, labor, and civil law. In addition, they must know methods of organization of labor and master the fundamentals of management. We have developed a qualifications description for a specialist of the personnel service which determines their purpose and the content of their labor, and we have developed methods and training programs for training them. We hope that other VUZes will take up this work.

Incidentally, our faculty has moved from seminars for personnel services to consulting with specific clients on methods of organizing these services, and then to direct training, having created a group for this specialization in the faculty of state record keeping in 1985.

EKO: Yes, lectures and seminars are an excellent form as a stimulus, as an incentive for increasing the interest in innovations that are being offered. But you are quite right in saying that it can be only auxiliary. In addition to everything else, seminars gather a very diverse audience with varying degrees of preparedness for receiving innovations, and this also, probably, does not contribute to purposive consulting? I have in mind a seminar on the subject "The Computer and the State Apparatus," which I had occasion to attend.

V. S. Mingalev: The audience that time was indeed especially varied—from designers of computer equipment to workers in management services who had just begun to learn about this equipment and its capabilities. But the intention was the same: to help them meet and

understand one another. The problem for many developers is that they have an extremely abstract idea of the future users of computer equipment and their needs and requirements.

Judging from everything, this seminar managed to achieve something. The developers that the computer equipment displayed in the foyer of the Moscow House of Scientists where the seminar took place does not satisfy the users with its small volume of memory, and they heard that it scares people away because of its unreliability. For the users reliability is the main thing, for they cannot always have service personnel nearby and sometimes it is even more of a problem to call adjusters. It is no accident that there were many questions about service and the software program. Participants of the seminar expressed the idea that it is necessary to have a network of small cost accounting organizations that service computers and not a strictly centralized system of comprehensive service under the Ministry of the Radio Industry, the Ministry of the Instrument Making, Automation Equipment and Control Systems and the Central Statistical Administration, which does not so much service as eliminate plant defects in computer equipment and provide spare parts for it.

L. V. Kotin: The seminar entitled "The Computer and the State Apparatus" which you attended actually did evoke a good deal of interest. It was difficult to get tickets to the large hall of the House of Scientists that day, as though the meeting were not with "the computer" but with a screen star. I recall the first meetings on the problem of computerization with certain managers of affairs of ministries and departments. They come to receive consultation. "What will happen," they ask, "if a new minister comes who is prepared to pay for advice about what computers to buy and where they are best—in the United States, Japan, or Finland? You begin to explain. It turns out that "restructuring" is understood as the utilization of new technical equipment and is not perceived as a restructuring of the management methods and an ordering of all documentation and methods of record keeping. In this sense the seminar introduced clarity: taking into account the existing economic situation when greater rights are being offered to the enterprises and associations, it is necessary for organizations to clarify the position and role of each management unit and, in keeping with this, to determine the composition of organizational-management documentation and computer equipment.

Judging from the number of applications for consultation, the seminar played a positive role in placing the computerization of management on the right basis in certain ministries and departments. We concluded agreements for creative cooperation with the ministries of the electronics industry, culture, trade, and the Moscow Komsomol Gorkom. We render assistance to the ministries of the medical and biological industry and the USSR Ministry of Public Health, the Mossovet and

other organizations. Many future users of computer equipment in management come even from Syktyvkar, Vologda, Yampol, the Ukrainian SSR, and other regions of the "heartland."

Of course all these contacts were a great additional load for the consultant-instructors. But, on the one hand, they help to make them aware what today are the most crucial things in the training programs for record keeping and what will be required of future specialists.

Thus the consultation center also helps organizations that consume its services and the institute. To be sure, so far it has no legal or economic levers, which is impeding its development somewhat.

EKO: On what organizational basis does the center function and what are its staffs and aktiv like?

N. A. Starov: Unfortunately, the legal status of management consulting in our country has not been defined and there are quite a few bureaucratic instructions that impede its development, if only the instructions concerning the payment for combining work and work under labor agreements which have already been revised with respect to workers of the academy of sciences who have high scholarly degrees and with respect to technical consultants, but are not always applied to management consultants. All this impedes the professionalization of the consultants. And it is even more necessary to carry out the organizational work for the consulting center on a public basis. There is not even a technical secretary who would take orders, and register and send out mail, and there is no equipment to reproduce the information and methodological literature developed in the center.

As concerns the aktiv of consultants themselves, it is fairly large. The center relies on four departments of the institute: the fundamentals of state management; mechanization and automation of record keeping and archives; document keeping and organization of state record keeping; and information computer systems. The specialists of the department of fundamentals of state record keeping along with the collective of the laboratory for organization of management labor and business games consult on complex problems of the economics and organization of management labor, improvement of organizational structures for management, selection, certification and promotion of management personnel, organizational planning, and training and increasing the qualifications of workers of personnel services. The department of mechanization and automation of record keeping and archives consults on means of organizational equipment and organization of work places of management personnel, mathematical and technical software for automated work places (ARM's), the department of record keeping—on information and documentation support for management systems, and organization of record keeping under the new conditions of management. The collective of the department of information computer systems, which is a new one in the

institute, develops the basic areas for the application of computers in the wide range, from the training process in the VUZ to the apparatus of executive committees of soviets of people's deputies and automation of management in other institutions. On the basis of this department a new methodological center is opening up for the RSFSR Ministry of Higher and Secondary Specialized Education for the Application of Computers in Training.

In its work the consultation center also relies on a student audience. Enlisting students to work with clients, especially during the period of production practice, makes a lot of sense. It is precisely here that they encounter problems and concrete assignments which bother their future colleagues—specialists of the staff of state institutions, ministries and departments, and personnel of enterprises and associations engaged in record keeping and the technology of management. In their first practice sessions they work with the center's documentation and card catalogues of consultants and clients, and they are included in brigades of consultants as assistants. During the period of diploma practice under the leadership of their scientific supervisor they participate in developments and their introduction in organizations.

As consulting develops the center has greater concerns, the mail is increasing immeasurably, and coordination, methodological, and many other functions are expanding. It is extremely difficult and burdensome to carry out all this work on a public basis. Nonetheless we have had to do this. Having weighed and evaluated what has been achieved and the prospects of consulting, the management of the institute with the help of the scientific research sector (NIS) considered it necessary to assist the consultation center in changing over to a professional basis. It is intended to rely on the engineer-methodologist who will take on information and dispatcher work and record keeping for the center.

In my opinion, the NIS, both in our institute and in others, can play a large role in the development of management consulting. For it has been given a certain administrative status and it has staff personnel—which the consulting center operating on a public basis does not have.

On the other hand, the center's activity will contribute to the development in the institute of research in the area of what the national economy needs and how to formulate for the higher school the task of restructuring the system of higher education. The quality of scientific research will improve and its practical usefulness will increase, and it will become possible to reproduce standard management decisions on requests from clients and to increase profit from the effect of successfully introduced developments, which can be used for the further development of research.

L. V. Kotin: I think that consultation centers in faculties and departments of VUZes are justifying themselves. It is necessary to create conditions for their operation and

assign at least a minimal staff, even if it consists initially of one creative worker and a secretary-typist, and then the staff can be increased as a result of the cost-accounting effect. It is possible that this will prompt other VUZes to organize management consulting.

Every VUZ has its own pet project. For example, for MGU this is a large school for questions of management of the economy; the Moscow Aviation Institute is known for interesting work in the area of norm setting for labor; the Moscow Institute of Management imeni S. Ordzhonikidze is known for achievements in the area of theory of management structures and so forth. We have taken on questions of organizing management labor but we interact closely with the Scientific Research of Labor and the All-Union Scientific and Methodological Center of the USSR State Committee for Labor and Social Problems, institutes of the USSR Academy of Sciences, and so forth. On the basis of existing developments, each VUZ could determine the area in which it would conduct management consulting and enter into cooperation with other institutes.

From the letters we receive it is clear that there is a great need for materials on the regulation of management labor. We need good official instructions, provisions concerning divisions, and developments concerning management procedures. Foreign management specialists spend a good deal of time on all this, thinking that these documents exert a great influence on the efficiency of management.

Sometimes one hears this objection: "Are you not afraid that the management process can become formalized as a result of excessive regulation?" It seems to me that that point is as far away as other galaxies. In places where there is no clarity in official instructions and where the boundaries of responsibility have been eroded, bureaucracy flourishes like an ornate flower. For it is easiest for the bureaucrat when he can say: "This is not a part of my responsibilities, I cannot answer for this"; "This is not my issue, it is your problem."

But regulation of management is not a synonym for rigid management. I would say that it is the synonym for efficiency, clarity, consistency, and competence. On the contrary, although it may seem paradoxical, regulation of management, by establishing rules and responsibility, introduces an element of democratization and a flexible approach. As we know, independence is also increasing in organizations of the nonindustrial sphere, for example, the experiment in the theaters and so forth. This means that it is necessary to turn more frequently to a creative reinterpretation of management procedures, methods, and instructions so that they will not lag behind the requirements of life. But it is possible to reinterpret only that which actually exists and is registered in some document.

The problem of regulation and development of normative documents is especially crucial in connection with the computerization of record keeping and management. The machine will not tolerate looseness or inaccuracies; it needs concrete tasks and then it will produce an effect. Yet some people think that when there are computers it will also be possible to adapt documents to them, and as long as there are almost no personal computers there is no point in engaging in useless work. This deception is so obvious that there is not even any special need to refute it. Nonetheless, I should still like to remind people that such a thing has already taken place with the assimilation of equipment with numerical program control (ChPU). Plants, associations, and, along with them, also ministries have been receiving machine tools with ChPU and flexible production systems extremely rapidly. And when they receive the equipment it became clear that they were not ready to use it. In order for that not to happen with the computerization of management it is necessary to prepare ahead of time.

The task of our consultation center, in my opinion, is to provide the ministries and departments with the necessary methodological documentation, to organize the increasing of qualifications of specialists of record-keeping services, and to prepare them for work with computers as users.

V. S. Mingalev: For a long time computerization of management will be one of the main kinds of consultation assistance rendered by our center. For more than 15 million people in our country are employed in the sphere of managerial labor. We base the organizational concept we have developed on new information technologies and comprehensive utilization of organizational equipment and computers.

Automated control systems (ASU) have been functioning in the branches and at enterprises for a fairly long time. But they do not provide the possibility of automating the work place of management personnel, since they do not create the local data bases needed by one worker or another. This is possible only with the utilization of computers for personal purposes. And from these it is possible to form networks with access to the "large" ASU.

It should be noted that the personal computer is still not an automated work place (ARM), but without it the appearance of ARM's is impossible. I wish to refer to the classification given to computers at our seminar by corresponding member of the USSR Academy of Sciences, director of the Central Economics and Mathematics Institute of the USSR Academy of Sciences Valeriy Leonidovich Makarov, since it seems fairly precise to me. The first type is the ARM of the manager, which makes it possible to have dialogue with the information-reference system. The second type is the ARM of the specialist. This also involves work in dialogue in order to develop an economic solution (for example, when analyzing variants of the plan), or an organizational or other



solution. This same type of ARM can be used by designers, technologists and other developers of modern items as well as editors. Of course the appropriate data base must be created. The third type is the ARM of the technical worker in the sphere of management. This is the most widespread type and it is extremely necessary now when the personnel shortage is great and when the occupations of typists, stenographers, and other technical workers in management have lost their prestige.

We are developing automated technology for document circulation and software which transforms the essence of management processes. In the faculty we have created several computer classes where specialists are trained in automated methods of document processing. We have managed to equip the classrooms with sets of equipment with personal computer monitors, an automated shorthand desk, and a printer which immediately deciphers and prints out the shorthand text. For now we have a whole army of specialists working at meetings of boards of the ministry and large conferences. It is necessary to organize shorthand and machine deciphering of shorthand notes, to have the speaker sign the text, to write up minutes after editing, and only after this can one begin to work on the content. With the help of computer complexes this can be done right during the course of the conference. The effectiveness of the conference increases, the amount of time required to make a management decision from the results of the conference decreases, and fewer personnel are needed to work at the conference.

The president of the USSR Academy of Sciences, Academician G. I. Marchuk, the first deputy minister of higher and secondary specialized education of the USSR, F. I. Peregodov, and the chief of the Main Archive Administration under the USSR Council of Ministers, F. M. Vaganov are all enthusiasts and active proponents of computer technology for corporate measures. With their help we have managed to equip our computer classrooms with Bulgarian equipment.

The Bulgarians are responsible for the invention of the automated shorthand panel (Stenoki) which they have patented in 40 countries. True, the volume of memory in Bulgarian computers of this family is rather small. Nonetheless, we cannot count on a full supply even of these sets of equipment. Because of the possibility of accelerated input of textual information into the computer, which is especially advantageous when there are large volumes of it, it seems to me that the application of automated shorthand is an alternative to devices for verbal input of information. If necessary the panel can be combined with a tape recorder, and through the cassette the recording of the conference can be introduced into the computer memory with subsequent automated deciphering, processing, and printing of the prepared text.

It would seem that such a set of equipment would be the basis for the automated work place of the third type—of technical management workers. But the nature of their

labor will change radically. They will no longer be simply stenographers or typists or the traditional employees of institutions or branches. The new worker must have a complex of knowledge related to all the new functions. There arises the problem of organizing their labor, setting norms, and paying for it.

But so far there are not enough personal computers or monitors in the sphere of management in our country and we have no analogues to the Bulgarian systems of automated shorthand, not to mention devices for verbal input of information. And also the apparatus of institutions is not sufficiently directed toward automation of management labor.

L. V. Kotin: The fact is that the ministries and departments will become interested in computerization of management labor when they begin to solve analytical problems having to do with the future when alternative variants of decisions are worked through. But today they do not deal with improvement of management since they control only the plan, they draw up the production plan and the enterprises and associations check on its fulfillment. I completely agree with the statements of participants of the EKO round table on management consulting (EKO, No 10, 1986) that the destiny of the innovation depends on the position of the manager, whether it be the minister or the plant director.

At one of the large plants in Riga the director was a great enthusiast of the universal system of automated control of execution (UASKI). He signed an agreement with us for joint development of the system and organized a group to introduce it. The plant implemented the UASKI and published materials for the system which were subsequently requested by more than 200 enterprises of the republic. But the director was promoted and became deputy chairman of the Latvian SSR Council of Ministers. The group of UASKI developers were offered new premises outside the plant because many organizations from the outside were coming to it. But, having lost its tie to production and not receiving support from the new manager of the enterprise, it soon fell apart. And it was an excellent cost accounting group consisting of 12 people.

V. S. Mingalev: I should add that one of our areas is standard developments for management and record keeping and their adaptation to the conditions of the client. This course seems correct to me since we have no people who can engage only in individual consulting. All of our consultants are first of all instructors and can spare only a certain amount of time for work in the consultation center. We perform research and development, but the introduction depends on the subdivisions of the client that are conducting this work in their organization. True, we also resolve many problems jointly.

EKO: Do you not feel that the introduction team consultation center is inadequate? At any rate, in a full understanding of management consulting it is clearly oriented toward the realization of innovations for specific clients and in this it differs from the development of innovations under contracts, which frequently end with the submission of the scientific report.

L. V. Kotin: Unfortunately, nobody takes our feelings into account. The public nature of the consulting center dictates for us the conditions in which so far we are forced to limit ourselves to these forms of cooperation. So far there are no alternatives in this situation.

Another thing we do is form "student teams" to realize our innovations. For instance, our institute, on an assignment from the State Committee for Science and Technology, was earmarked as one of the developers of a standard system of documentation support (TSDO), the head developer for which is the All-Union Scientific Research Institute of Document Science and Archive Work of the USSR Glavarkhiv. To those departments that are interested in the introduction of the TSDO, we send our "student teams," that is, we send our graduates there for production practice and then to work.

EKO: How widely known is your consultation center in the country and are you interested in more orders?

N. A. Starov: We receive many telephone calls and letters from all regions of the country. Unfortunately, the center is still not in a position to fill all the orders. We are now oriented more toward the central management apparatus, personnel and record-keeping services of the ministries and departments, ispolkoms (we are creating a laboratory for improving work in ispolkoms), and production associations and enterprises of the capital. Here are the statistics for last year: consultations for 25 ministries and 36 production associations and enterprises. So far the center is working on a public basis and does not have sources of financing for sending consultants to other cities of the country and does not have the possibility of taking staff instructors away from the training process. Of course we still make certain trips. The deans of the faculty meet us halfway, make changes in the class schedule, and business trips are paid for by the VSNTS or the Znaniye Society on which our consultation center has been relying all these years.

EKO: What would be needed to fill all the orders for consulting?

N. A. Starov: The creation of a statewide cost accounting and not a public system of professional consulting centers which should have staff workers and attract highly qualified consultants from VUZes, scientific research institutes, institutes for increasing qualifications and other organizations. Well, and of course it is also necessary to have a service unit, information supplies, and technical equipment, including computers and reproduction equipment.

There is no need to invent anything; we have our domestic experience of 20 years of management consulting which was written about in EKO No 10 for 1986, and there is world practice. The State Committee for Science and Technology must be extremely attentive to this important matter that is so useful to the country and we must not submit to the USSR Council of Ministers crude and unsupported plans of decisions that violate management consulting which enthusiasts have worked so hard in creating.

It is possible to consider our center on a public basis to be a useful experience which has revealed the great need for consulting services, has shown that this work must be professionalized, and has confirmed the observations of Estonian and Novosibirsk consultants. Now, in the second stage, it is necessary to change over to cost accounting. Our center and other organizations should be permitted to begin this changeover and to regulate the policy of payment for consultants. And of course now is the time to create a professional system of training and increasing the qualifications of consultants on management problems on the basis of the Academy of the National Economy under the USSR Council of Ministers or on the basis of the MGU, our institute, and the Institute of Management imeni S. Ordzhonikidze with the corresponding specialization.

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**Accounting for Machine Time Stressed**  
18200034f Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 11, Nov 87 pp 90-91

[Article by B. F. Ivashev, worker of the Koloss Production Association (Moscow)]

[Text] We receive a large part of the products from all branches of the national economy at a time when the man-machine system is actively impacting the object of labor and machine time is being expended. Consequently, intensification of production means primarily an increase in the proportion of machine time, the time of direct technological impact of the machine-implement on the object of labor in combination with the clock time of the worker.

We are able to evaluate and measure time in general, but we are unable or we do not wish to measure machine time. Yet the importance of this measurement is obvious. The proportion of machine time in the clock time of the work shift determines the intensiveness of labor to a considerable degree. It is possible to analyze and control this process only under the condition that we account for machine time objectively and in detail.

Technically this easily achieved by installing a meter of motor hours which switches on and off when the mechanisms of the machines that perform the basic technological operations switch on and off (for example, for a lathe this is the rotation of the spindle and one of the feeds, for a combine this is the operation of the mowing and threshing aggregates).

After all, we include with every motor vehicle a speedometer with a meter for counting the kilometers, thus creating the objective possibility of evaluating the operation of automotive transportation in ton/kilometers.

A meter of motor hours built into each machine-implementation would be simple and inexpensive and, for example, it could consist of a direct current microengine and an axle meter of rotations which is applied in any threshing machine or speedometer.

Like the speedometers, the motor-hour meters should be sealed and be kept under supervision of the metrological services of the enterprises.

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#### Merits of Piece-Rate Work Discussed

18200034g Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 11, Nov 87 pp 91-94

[Article by A. S. Melchenko, worker (Komsomolsk-na-Amur): "Twenty Years of Piece-Rate Work: What Is So Good?"]

[Text] In 1962 we graduates of Technical School No 3 were organized into a Komsomol youth brigade at the Amurstal Plant. Even in our second year of work we began to fulfill the monthly assignment by 120 percent and more. And then a norm setter showed up who suggested that we "become the initiators of an advanced attitude toward labor," that is, that we revise the norms ourselves because, he said, "It is embarrassing for us to work with easy norms." Otherwise, the norm setter promised, they would be "cut" anyway. If we adopted the initiative we would not lose any money and they would raise the category of the parts.

They talked us into it. We "ended up on television." But doubts crept into our soul: why should we twist things and lie this way? Our senior comrades taught us: one can be good but one does not necessarily cover the output. Before 1967 I worked that way and did not try to overfulfill the norms, although I could have by 150-160 percent.

In 1968 I changed over to the iron casting section. The foreman flabbergasted me right away by suggesting that I determine my own earnings. Without thinking for very long I named the sum I had counted on in the first months. It turns out that I was in too much of a hurry, and later, no matter how hard I tried, for an entire year I received the same amount and no more. During 1969-1972 I worked at a construction site as a stonemason with the same kind of piece-rate earnings. It was not recommended that I try very hard there either. I like to work from my soul, intensively. I believe that the country would be richer and more powerful if everyone did this. But the guys said I was crazy: there is a norm, they said, that is the way it is planned, so why knock yourself out?

Sent by the Komsomol organization, I served 7 years in the militia. I returned to the casting shop after a relatively long leave and again—to piece-rate work. There were no changes for the better in my earnings. They were rather for the worse. I was especially struck by the fact that for fulfillment of the norm up to 110 percent of the bonus was paid in the amount of 40 percent, up to 125 percent—25 percent, and for 140 percent and higher there was no bonus at all. Or there was another "invention": the orders are covered by no more than 120 percent, and what is left over is carried over, at best, to the next month. In my opinion, this holds an advanced worker back.

No matter who you talk with they all say that the situation is the same for them. Therefore the majority of the workers on the whole have a disapproving attitude toward advanced production workers and potential leaders hold themselves back, the norm setters and workers are certainly not friends or people who think alike, labor productivity is not increasing, but is being "padded" by the foreman.

It is offensive to see how many efforts and sometimes inventiveness are wasted on deceiving ourselves. A brigade covers the norm by 38 percent but it is permitted to cover it only by 20 percent—and the indicator is "raised" by fictional overtime and the foremen and technologists "concoct" efficiency proposals or "efficiency combinations" that are supposed to have been submitted by the workers. I myself, before signing for an "efficiency combination" tried to read what it included, which caused dissatisfaction, I was excluded from "submitting" any more, and thus I was "deprived" of a bonus. I am not saying that there are no real efficiency proposals at other, but there are fewer than we would like there to be.

In general, honest workers when they discover an "advantageous" part carefully conceal it from the foremen. The existing conditions drive them to this. The foreman is watchful and "catches" these parts. Once he was bored with the game of hide-and-seek in order that the norms



be revised for all parts. I tried to speak with the chief of the shop personnel bureau about this but nothing came of it except a sober exchange of opinions about honesty and dishonesty of workers.

I am comparing the successes of brigades that have been working for 20 years each. Labor productivity in them seems to be increasing, but how? As a result of new parts. The technologists and norm setters explain: an experimental-statistical (read: "ceiling") norm is established for a new part, one that cannot be technically substantiated right away. One can understand them: if they did the opposite the worker would not receive the earnings he has coming and would go to a different enterprise. The assimilation of the norms is drawn out for 3-4 years. Labor productivity increases, but only in appearance. Open up the possibilities of becoming a leading worker—this would be real gross.

It is a good thing to have brigades on cost accounting. If a person is released, everyone's earnings are increased by the amount of his. But many people have begun to notice their earnings return to the previous level. Is it worthwhile to release workers? People who are not yet in brigades are thinking about whether to enter them or not. Here is what happens with the coefficient of labor participation: the brigade leader carefully calculates the percentage of output for the month and "extra" orders form a reserve, and the next month distributes the forces of the brigade in such a way as to cover the orders of the preceding month. This is what happens with individual piece-rate work as well.

Piece-rate workers experienced great disenchantment when the city of Komsomolsk-na-Amur was changed over to the category of territories on an equal footing with regions of the Far North. The regional coefficient was barely increased, but piece-rate earnings remained the same as they were. "You cannot deceive the state," the workers said with bitter irony.

Frequently you hear accusations against workers: they say they do not want to work intensively. And Stakhanov and his followers are a confirmation of the fact that it would be possible to produce much more. But it was Stakhanov who stated: if you remove the obstacles on the path of increasing output, the worker will give the highest labor productivity. These obstacles were not removed, for example, for the colleagues of my Uncle Andrey who worked during the 1930's at the mine in Raychikhinsk in Amur Oblast. When he wanted to support the Stakhanovite Movement, they took him out in the woods and "talked to him." True, he got by without any physical violence. My uncle left for Sakhalin.

I tried to think and work out proposals for eliminating the shortcomings in individual piece-rate payment. At one of the institutes I turned to they understood me, but then I was unexpectedly given a lot of attention at the plant. In my opinion, the solution lies in removing the

"ceiling" on earnings. But at the same time the norms should be stricter. People who fulfill them by 100 percent, for example, earn 300 rubles, and by 120 percent—450 rubles, but this kind of output is achieved only by individual people who are real heroes of labor.

One can expect a great deal from correct application of the brigade form of organization and stimulation of labor if at the same time the payment is made dependent on the efforts expended and the results that are achieved. I am convinced that the present is a favorable time for improving payment for labor. And I am writing so that this time we will not try to retain those forms of piece-rate payment which have so many shortcomings.

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### **Economy Presented in Mathematical Terms**

18200034h Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 11, Nov 87 pp 94-98

[Article by Yu. I. Yakubovskiy (Ternopol): "A Formula for Economy"]

[Text] The development of the economy along the path of intensification presupposes ever more efficient expenditure of raw material, energy, and processed material resources. Social sciences are faced with the task of developing effective criteria for price setting and a distribution mechanism that contributes to solving these problems. A partial solution can be seen in the differentiation of payment for resources and services depending on the level of their consumption. Progressive prices can be established with the utilization of nonlinear dependency, particularly according to the formula:

$$O = R^3/N^2 \times T_s \times K$$

Here:

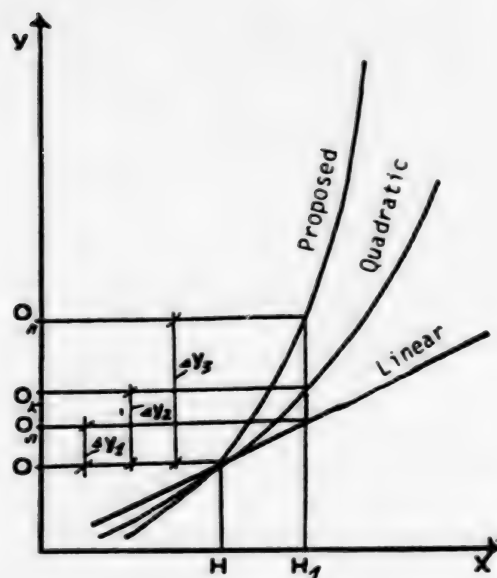
O—payment for raw materials, energy, processed materials, service and services expended during the time interval taken into account;

R—expenditure of raw material, energy, processed materials, and services per one consumer;

N—normed expenditure of raw material, energy, processed materials, and services for one consumer;

T<sub>s</sub>—price per unit of raw material, energy, processed materials, services;

K—quantity of consumers using energy, materials, and services over the time taken into account.



Dynamics of Increase in Earnings According to Linear, Quadratic, and Proposed Dependency

The utilization of the formula will more effectively prevent unsubstantiated expenditure of resources and the utilization of services than is done with a linear or quadratic dependency. The formula makes it possible to increase additional payments (fines) at rapid rates when above-normative consumption increases. This is quite clear from comparing the increases in payment (O) for each unit of expenditures above the norm ( $N_1 - N$ ) (see diagram). The lowest increase in payment is produced by a linear dependency, a higher one—by a quadratic dependency, and the highest—by the proposed formula. Here expenditures less than the normative amount, according to the proposed formula, require less payment than according to the two other formulae. Let us consider the possible areas of application of the formula.

#### Payment for Housing

At the present time there is a policy of paying for housing in direct dependency on the dwelling space occupied—an average of 13 kopecks per month per 1 square meter. This does not take into account the number of residents, the quantity of auxiliary space (kitchen, corridors, storerooms, balconies, porches, lavatories, entryways, verandahs, basements, and so forth), the location of the building, the orientation, and so forth. This approach does not correspond to the principles of social justice. There is an immense diversity in conditions for living in the public housing supply. Even apartments that differ in terms of the dwelling space say nothing about equality since there can be considerable differences in the provision of auxiliary space. The mechanism for paying for apartments should be constructed in such a way that

through differentiation one can account for a maximum diversity of living conditions and stimulate more complete utilization of dwelling space.

We shall show a possible system of payment for housing using the example of accounting for dwelling and auxiliary space and the number of residents:

- 1) reduce the level of payment for pure dwelling space established at the present time from 0.13 to 0.1 rubles a month for 1 square meter ( $T_{s1} = 0.1$  rubles);
- 2) take into account all auxiliary space and set the level of payment for auxiliary space at 0.05 rubles per month for 1 square meter ( $T_{s2} = 0.05$  rubles);
- 3) establish the average provision of pure housing space at 10 square meters per resident ( $N_1 = 10$  square meters);
- 4) establish the average provision of auxiliary space at 5 square meters per one resident ( $N_2 = 5$  square meters);
- 5) the apartment rent will be calculated according to the formula:

$$O = \left( \frac{R_1^3}{N_1^2} \cdot U_1 + \frac{R_2^3}{N_2^2} \cdot U_2 \right) K.$$

Here:

- $R_1$ —the real provision of pure dwelling space for one resident;
- $R_2$ —real provision of auxiliary space for one resident;
- $K$ —number of residents

Let us say that the pure dwelling space of an apartment is equal to 40 square meters and the auxiliary space—20 square meters

$$1.1. K = 8 \text{ p} ; R_1 = 5 \text{ m}^2/\text{p} ; R_2 = 2.5 \text{ m}^2/\text{people} \quad \text{p} = \text{people}$$

$$O = \left( \frac{5^3}{10^2} \cdot 0.1 + \frac{2.5^3}{5^2} \cdot 0.05 \right) \cdot 8 = 1.25 \text{ rubles/month}$$

$$1.2. K = 4; R_1 = 10 \text{ m}^2/\text{p} ; R_2 = 5 \text{ m}^2/\text{people}$$

$$O = \left( \frac{10^3}{10^2} \cdot 0.1 + \frac{5^3}{5^2} \cdot 0.05 \right) \cdot 4 = 5 \text{ rubles/month}$$

$$1.3. K = 2; R_1 = 20 \text{ m}^2/\text{p} ; R_2 = 10 \text{ m}^2/\text{people}$$

$$O = \left( \frac{20^3}{10^2} \cdot 0.1 + \frac{10^3}{5^2} \cdot 0.05 \right) \cdot 2 = 20 \text{ rubles/month}$$

Thus the larger the family the lower the apartment rent. A reduction of living conveniences is compensated by a reduction of the level of payment, an excessive provision of dwelling space leads to significant outlays.

When introducing accounting for dwelling space according to this formula the state will not make additional expenditures and, moreover, because of the introduction of payment for additional space with a certain reduction of the price for pure dwelling space, considerable additional funds will come into the budget because the reduction of the payment for apartment with a larger number of residents is not as significant as the increase in the level of payment for an apartment with a smaller number of residents.

The high cost of housing when there is excessive dwelling space will force some of the families to resettle to smaller apartments which, in turn, will alleviate the housing problem.

It will undoubtedly be necessary to envision certain additional measures. For instance, the ispolkoms of the local soviets of people's deputies should grant the right to select the rayon, number of stories, and so forth to a person who wishes to reduce his amount of dwelling space, and also take responsibility for the organization and expenses of moving these families. All legal aspects of the new organization of payment for apartments should also be worked out, including residential benefits which should be taken into account.

#### Electric Energy, Gas, Water, and Heat

The proposed formula can also be used for other purposes, for example when calculating the payment for electric energy, gas, water, and heat. In this case it is necessary to establish the norms for consumption of electric energy per one person. Although in various climatic zones, with various heating systems and with certain benefits these norms will differ, the principle of payment will be the same—to motivate people to consume within the limits or below the norm.

It would seem that this formula could produce a considerable effect in production, for example, when accounting for the expenditure of electric energy, water, gas, heat, fuel, petroleum products, raw materials, processed materials, services and so forth per unit of output. The savings (all or the proportion) obtained from reducing the expenditure can be deducted into the economic incentive fund of the enterprise and additional payments for overexpenditure can be taken from these funds. It would be better to link the incentives to specific workers or brigades, but so far this is unfeasible because of the lack of meters.

Let us consider an example of this kind of calculation. For this, in the explanation of the letter symbols instead of consumers we will have in mind units, say, of items. Let us say that the monthly program is 1,000 items; the normed expenditure of electric energy per one item—10 kilowatts; the price per one kilowatt—0.01 rubles.

First variant. The monthly expenditure of electric energy is 8,000 kilowatts. Expenditure of electric energy per unit of output:  $R = 8,000:1,000 = 8$  kilowatts. Amount of payment:

$$O_f = 8^3/10^2 \times 0.01 \times 1,000 = 51.2 \text{ rubles.}$$

The sum of payments for electric energy made when product is sold:  $O = 10 \times 0.01 \times 100 = 100$  rubles.

The savings deducted into the economic incentive fund of the enterprise:  $E = O_n - O_f$ .

$$E = 100 - 51.2 \text{ rubles} = 48.8 \text{ rubles.}$$

Second variant. The monthly expenditure of electric energy is 15,000 kilowatts. Expenditure per unit of output:  $R = 15,000:1,000 = 15$  kilowatts. Expenditure of payment:

$$O_f = 15^3/10^2 \times 0.01 \times 1,000 = 337.5 \text{ rubles.}$$

The overexpenditure deducted from the economic incentive fund:  $P = O_f - O_n$ .

$$P = 337.5 - 100 = 237.5 \text{ rubles.}$$

With the existing methods of accounting the additional payment for electric energy leads to a simple increase in the wholesale price of the products, that is, the consumer pays for the mistakes of the producers.

It is possible to apply this formula with mutual accounts among shops, subdivisions and divisions of enterprises, design bureaus, and scientific research institutes when organizing intrashop cost accounting, when calculating remunerations for efficiency experts and the inventors, and so forth. As concerns the complexity of the accounting, it is not great and it can even be simplified by the introduction of a coefficient for translation ( $R^3/N_2$ ) and tables.

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#### Sympathy Shown for Manager

18200034i Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 11, Nov 87  
pp 99-100

[Article by M. A. Ziskandovich (Novosibirsk): "Pity the Manager..."]

[Text] One frequently hears that managers should bear personal responsibility for incompetent management decisions. But do they not already bear it? So many of



them have been penalized, demoted, fired or even convicted. And I have come to feel so sorry for them that I have even thought: how could one help them?

I looked and looked and suddenly it dawned on me. They are not doing their own work all the time; each day they are solving the problems of their subordinates. Why then, for example, not post this announcement on the doors of the offices of all managers:

"Any worker can come in here freely to solve his problems. He must have with him a sheet of paper on which he has preliminarily answered the following questions:

1. What is your problem?
2. What obstacles are keeping you from solving it?
3. What are the ways and variants of eliminating these obstacles?
4. What specifically is suggested from these variants?
5. Who or what subdivisions will be affected with the realization of your variants?

Next come the signature and date.

I no sooner thought this thought than I had an occasion to test it out on myself. They were beginning to talk about a block in our experimental production and the schedule for completing the stage of work was threatened. My hands began to itch, or, rather, my legs. I immediately wanted to run to the boss—let him think of what to do: the failure would not be our fault. But my statement was right there before my eyes. I thought, first, I will do it myself. I sat down. I answered.

What is the problem? The manufacture of the new block is postponing time of completion of the stage by 10-15 days, and this means a failure to fulfill the plan and socialist commitments with all that that entails....

What are the obstacles? First, where does one get the burned-out elements? Second, the assembly workers are all booked up—the end of the month. Third, the leading developer will go on vacation in a week and there is nobody else to adjust the block quickly. Moreover, although the block was scorched in production, I might as well have received it in good order because I signed the acceptance document ahead of time. It was a regular thing—they needed it in order to fulfill their commitments and we met them halfway since a month ago we ourselves had fudged a little in our documentation and had persuaded the installation workers to take their time during the second shift. Therefore, production could simply send us....

I moved on to the third question. It is a little more difficult, but we, although we are not supervisors, were not born yesterday either. We could form elements right here, from our neighbors, and at home—and sometimes you simply swap them. We will not be redoing the entire block; repair takes less time. But how do we interest the assembly workers in working after shift? If it were just Petrov: he comes to us for advice since he is studying in the evening. The leader could be persuaded to draw up emergency instructions for adjusting the block, but he cannot postpone his vacation: he has his path in his hands. So: Irina Alekseyevna is looking in our warehouse, Galina is going to ask the neighbors, Vitek and I are looking around at home, I will take on Petrov—he has an exam in the near future. I think that we shall restore the block in 3-4 days. All that is left is the test laboratory where they scorched the block. Here there is nothing to write, it will be necessary to write a report note to the deputy for production: to confess to accepting the block in absentia and also append a draft of the order for the corresponding awards. True, if the laboratory finds internal reserves and tests the block before the end of the week, it will be possible to hold back the confession.

Briefly, everything has been done on time. True, the block suffered somewhat on the outside, but it worked. And the main thing is that I did not have to go to the boss.

And now I am asking. If we can work like that, why do we not do it all the time? The pity will not last for long....

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### **Change in Thinking Required for Economic Transformation**

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[Roundtable discussion including A. M. Buravskiy, dramaturg; L. A. Gordon, doctor of historical sciences, professor, chief of laboratory for social statistics of the Institute of the International Labor Movement of the USSR Academy of Sciences; G. G. Demin, candidate of art studies, theater critic; B. Yu. Kagarlitskiy, literary scholar; A. F. Kozlovskiy, dramaturg; B. P. Kurashvili, doctor of jurisprudence, head scientific associate of the Institute of State and Law of the USSR Academy of Sciences; A. K. Nazimova, candidate of economic sciences, head scientific associate of the Institute of the International Labor Movement of the USSR Academy of Sciences; N. V. Skuybin, movie director; V. L. Sheynis, doctor of economic sciences, head researcher of the Institute of World Economics and International Relations of the USSR Academy of Sciences, prepared for publication by B. Yu. Kagarlitskiy and V. G. Rubenchik: "Transformation of the Economy—Restructuring of Thinking"; *EKO* introduction]

[Text] The modern content of the concepts of justice and creative activity have recently been leading to a lively discussion by socialists and economists: the task of restructuring cannot be solved without consistent realization of these principles. No less important is the moral aspect of the problem. All this alarms workers in art as well. At the *EKO* round table, both groups discuss aspects of the problem that are especially crucial today and how certain traditional ideas should be changed. Participating in the discussion were:

A. M. Buravskiy, dramaturg;

L. A. Gordon, doctor of historical sciences, professor, chief of laboratory for social statistics of the Institute of the International Labor Movement of the USSR Academy of Sciences;

G. G. Demin, candidate of art studies, theater critic;

B. Yu. Kargarlitskiy, literary scholar;

A. F. Kozlovskiy, dramaturg;

B. P. Kurashvili, doctor of jurisprudence, head scientific associate of the Institute of State and Law of the USSR Academy of Sciences;

A. K. Nazimova, candidate of economic sciences, head scientific associate of the Institute of the International Labor Movement of the USSR Academy of Sciences;

N. V. Skuybin, movie director;

V. L. Sheynis, doctor of economic sciences, head researcher of the Institute of World Economics and International Relations of the USSR Academy of Sciences

### Equality or Identity?

*EKO*: Restructuring means more than changes in the economic mechanism; it means activation of the civic consciousness and moral renewal. Economic reforms should proceed hand in hand with the education of people who are capable of using these reforms to advantage. What do you see as the strategy for moral renewal and what values, traditional and emerging, should become the key ones for the success of the transformations?

G. G. Demin: First of all, activation of civic awareness, which is reflected directly in creativity, and here there is no separation between workers in material production and humanitarians. But a person can have a sense of participation in the affairs of the society only when he is confident of its social justice. Thus there is no doubt about the vital link between justice and creativity, although the manifestation of their mutual influence has not yet been fully investigated.

L. A. Gordon: There are fundamental and age-old ideas about justice that are as important for us as they were for the early Greeks, but they assume various forms in various ages. Take one of the eternal principles of justice—equality. This is a multifaceted concept, and various aspects of it come forth, depending on the time and the social structure. Today even for the success of purely economic measures it is important to retain the understanding of equality as equal opportunity for self-realization and creative self-expression of each individual. Yet equality is frequently interpreted as equalizing. Art, which traditionally has great power of social influence, bears a certain amount of responsibility for this. Now it is important to maintain the understanding of equality as equal opportunity for self-realization. This is necessary even for the success of purely economic measures.

A. M. Buravskiy: Let us call things by their real names: identity is not equality. A person organically needs a choice, and there is always some choice. For instance, in the 1930's in the theater identity took root as the artistic norm, and everyone was supposed to be oriented toward a couple of general recognized models. And in spite of the narrowness of the repertoire, the rigidity of the administrative measures, and so forth, the difference between good and bad troops was great.

And who gains advantage from identity? It triumphs in places where there is control from impersonal opinion because of a closed door, opinion that does not recognize equal rights for everyone but demands identical subordination from everyone. Why does a bureaucrat, as a rule, not come out with his opinion openly? Behind his lack of personality he is concealing incompetence.

Moreover, denying one's own personality means denying responsibility—people decide things for us, everything is done according to principles sent down from above. That is how identity develops—as a characteristic of those who follow orders.

A. F. Kozlovskiy: Now, in my opinion, it is especially important to analyze the creative potential of the individual. For many of us this has been suppressed in childhood: the kindergarten and school have worked fairly well here. In many cases, however, it has been impossible to suppress it and this is how hobbies appear. Have you ever thought about why we have so many metal engravers and wood carvers? People compensate themselves, thus realizing their unclaimed creative potential. But hobbies are not the solution for everyone. There are people who are concerned primarily and most profoundly by the fate of creative undertakings on the job. Not having the possibility of self-realization at work, sooner or later they change the nature of their activity.

A. M. Buravskiy: All people have at least some creative prospects, albeit limited. For creativity begins with trivial things! It is important here to have an atmosphere of the desirability of creativity which has been raised to the rank of public morality.

A. K. Nazimov: A change in the situation in the society in this direction is undoubtedly the key to expanding the possibilities of each individual to realize his creative potential. Let us not forget, however, that today in our economy there is still a large proportion of traditional early industrial or even preindustrial technology, particularly in mass production. It significantly limits the space for creativity not only in labor itself, but also outside it: for the sociocultural level of workers employed here is not high. Technological progress opens up favorable opportunities, but this cannot proceed quickly.

B. P. Kurashvili: Technological limitations undoubtedly exist. But when we say that the creative potential of certain people is not claimed by the society, we have in mind more than just the immediate production process. Today it is becoming principally important to have real, nonprescriptive participation of Soviet people in all spheres of social and state life, and above all in management. This field will always require the best development. For creativity it is limitless. Consequently, the realization of the creative capabilities of the workers cannot be put off until the indefinite future when technology creates the necessary conditions for this.

B. Yu. Kagarlitskiy: Yes, the new technology requires more creative work. But we must not hope that everything will be resolved of its own accord. On the contrary, new technology simply will not be utilized successfully unless relations among people change. This was proved by Marx. For example, if we wish to introduce robots successfully, we must change something in the relations among people as well. We ourselves must stop being mechanical followers of orders. In order to achieve success tomorrow the space for creativity must be created today. The problem is not so much that people do not have the opportunity to work creatively—this opportunity exists with any technology, although on various scales—is something else. Frequently creativity is required of an individual.... But at the same time the individual does not have the necessary rights.

### The Merit of Creativity

EKO: A similar situation was shown in the film by N. Skuybin, "What Can Kuzenkov Do?" An analysis of the conflict depicted there would probably help us to get a sense of the problem in all of its diversity.

N. V. Skuybin: The film was based on a newspaper article, and here is the essence of it. At the plant there is only one extra-class worker who is capable of making extremely complicated parts. (When we shot the film, I met with such people and I can say with confidence that these are people of creative labor and their talent has much in common with the talent of a musician. Of course their work is impossible without the fairly complicated calculations, but at the same time the result depends to a considerable degree on how the person "feels out" the machine tools, instruments, or materials.

This is what creative intuition is.) This Kuzenkov gets into a conflict with his foreman. Wanting to hurt Kuzenkov's pride, the foreman assigns the manufacture of an important part to another worker. Only after they all refuse does he ask Kuzenkov to do it. But now his character is already showing through and he announces that he will not fulfill the assignment. The foreman applies various forms of pressure right down to speaking with the general director, but he cannot get his way. Kuzenkov is prepared to do the most complicated work, but he knows his value and requires respect and a certain amount of freedom, and this is unthinkable for the foreman: he does not intend to single anyone out no matter who it is and create special conditions for them. In his understanding Kuzenkov is opposing the collective. In the end, Kuzenkov is forced to resort to a device that is not allowed: having acquired a medical excuse, he does not come to work. The part is assigned to the worker who is far behind him in skill. When Kuzenkov comes to work anyway to make sure that they did not mess up the job, it was too late. The part was ruined and he was to blame. It turns out that the impersonal bureaucratized structure represented by the foreman provokes a talented person to the point where he causes harm to this structure and to production. Then he can be punished.

A. F. Kozlovskiy: The bureaucratic mechanism strives for self-reproduction and maintenance of balance, and this is quite natural. One should not blame individual bureaucrats for this. But if we take this point of view, it turns out that people like Kuzenkov simply impede the normal course of things.

In its final analysis everything depends on the economy: if production relations are not oriented toward activation of the creative potential, nothing will be achieved through this. But as soon as the situation changes, any foreman will find a way of encouraging creativity and creative people will be found immediately. They are already there now, in large numbers, it is simply that their potential has not been claimed.

A. K. Nazimova: I am one of those who cannot approve of Kuzenkov's position. After all, he is defending not only his own labor dignity, but also, to some degree, his privileges, his "special" position. Moreover, his methods of defense are far from irreproachable from the standpoint of morality—and is this not the cause of the alienation he encountered in the shop? Of course a restructuring would give him greater rights, but it could call his unique position into question.

N. V. Skuybin: It is necessary to distinguish a person who is fighting for respect for his own individuality and talent from one who is simply defending his legitimate or illegitimate privileges. People of Kuzenkov's type critically need the restructuring, even if it creates new problems for them.



A. M. Buravskiy: It is not just a problem of Kuzenkov's personal interests. Discipline is useful only when it is based on self-discipline, when it is based on free choice. Many people still think that it is a matter of individual poor superiors: replace them with good ones and everything will proceed nicely. No, it will not. We have another selection: socialist democracy or control by orders and decrees. I think this is the essence of the changes. In this case Kuzenkov could hardly be against restructuring.

B. P. Kurashvili: A creative person is always a person with dignity. Kuzenkov's problem is the problem of a worker who has a developed sense of his own dignity. It is practically impossible to control people like this using traditional command methods under current conditions. Generally speaking, this is one of the most important administrative problems of the 1980's. Unfortunately, we were not prepared to solve it.

I think that it is necessary to revise the entire approach to management. We need not only mechanisms that provide for coordination of management units and subordination of lower ones to higher ones, but also structures that create the possibility of the participation of the lower ones in decision making. In other words, the managed should have the opportunity to participate in management. This will sometimes give rise to conflict, but otherwise many orders will simply not be fulfilled. The more so since, as we can see from the example of situations like Kuzenkov's, conflicts arise anyway. It is important for real human relations to develop among people at all levels of the system. Until this happens, Kuzenkov will resist. Perhaps in some way he will "straighten out" but his demands are essentially quite healthy.

EKO: "What Can Kuzenkov Do?" is an artistic film. To what extent do the contradictions depicted in it correlate to the facts in real life?

N. V. Skuybin: I recall that it was a real instance that was the point of departure for the screenplay. While preparing the film I was discussing the plot with people in production, with the plant director, with people at the middle level, and with the workers. I wanted to see if there was anything false in our story. And it was curious that people answered differently to one and the same questions. The workers, for instance, considered the situation realistic while the foreman or the representative of the board of directors said that such a thing could not be.

A. F. Kozlovskiy: I think that this is a matter of varying degrees of sincerity. Some people are sometimes interesting in concealing conflicts that exist in production.

G. G. Demin: Perhaps that is not all there is too it. People sometimes tell falsehoods quite sincerely. Our evaluation of one event or another depends on our experience and our view of things. In the end, people's

interests are frequently different and even opposed. A person does not always deliberately decide to lie because it is disadvantageous to tell the truth. More frequently he unconsciously distorts the circumstances so as not to lose his spiritual balance and confidence in its truth. It is much more difficult to unmask this unconscious, sincere falsehood than direct deception.

N. V. Skuybin: Perhaps if I had worked for several years at a plant I would not have been able to make such a film. Sometimes a view from the outside is precisely what is needed in order to straighten out a situation of conflict.

A. F. Kozlovskiy: I say! I could not have written what I write if I did not rely on my own experience. For me the search for the creative aspect has always been fundamental. In the institute it was possible to satisfy that need, true, as a rule, not during class time. There were independent activities, the special interest club, and so forth. When I ended up at the plant I did not have this compensation. I had to begin to write plays.... But this solution is not for everyone!

EKO: So what can we say about experience: is it an aid or an impediment to creativity?

A. F. Kozlovskiy: A result of an interpretation of my own experience was the play called "The Redkin Effect," where a naive inventor unsuccessfully tries to "push through" a fantastic invention that promises universal abundance in the shortest possible period of time. This results in a set of classical situations with which everyone is well familiar from the newspapers: here they would not receive him, there they turned him away, somewhere else they put him on the shelf. In the end, incidentally, Redkin's ideal was introduced...but in Japan. Technical strides are taking place there, but in our homeland inventors of genius are opening up a museum. To be sure, they are still not introducing the invention. Everybody wants abundance, but almost nobody needs the invention. It seems to me that this is a real contradiction. For innovations force us to change our lives and creative ideas threaten to disturb the customary course of things. Incidentally, every phenomenon also has its comical side. We can suffer from our defeats or we can laugh at them. I prefer the latter. As a result, I end up with a comedy.

#### Experience Against Initiatives?

G. G. Demin: In "The Redkin Effect" one is impressed by the apparent impossibility of combining a production drama and a cunning-naive popular play. Vanya Redkin, of course, is a direct successor of Ivanushka from the fairy tales. But was there not an element of fairy tale in this exemplary production drama? Was everything really like life in it? No, of course not. It is simply that the discrepancy between reality and invention was carefully concealed. Only Gelman frankly admits that many of his plays are constructed out of fantasy while others, as a rule, have decided against this. Specialists were irritated

by the artificiality of the situations and the viewer was unable to figure out the large quantity of technical terms that concealed this artificiality. In "The Redkin Effect" the situation was deliberately absurd and incredible: there are no inventions that will provide for universal abundance in a year. But the problem of invention and the problem of talent was certainly not invented by the author. Incidentally, I wish to ask: why was Redkin young? This is a clear deviation from the "cannon" of the production drama, where it was the policy to depict people who were at least over 40.

A. F. Kozlovskiy: Yes, it was thought that only 40-year-old heroes were capable of being responsible for their actions—these were stable people who could be taken seriously. Now imagine that one fine day such a hero looked around and said: "What a mess! It is time to change everything!" I would not believe this. But where was he earlier? He himself helped to create this mess!

B. Yu. Kagarlitskiy: It is curious that the concept of authority is frequently linked not to professional merits, but to age. Of course it was assumed that age means experience, but this is not always so. Moreover, in addition to experience there are also other human qualities. A person who does not have experience in participating in routine thoughtless work, in avoiding responsibility and shifting it to the shoulders of others, such a person is more likely to gain than lose. Managers who throughout their past life have convincingly shown that it is better to avoid initiative and not irritate the leadership, can hardly be teachers in the matter of restructuring.

EKO: Is this not the problem at the center of the play by Aleksandr Buravskiy, "Say..."?

A. M. Buravskiy: I wanted to show that changes could be made only by people who were not infected by the habit of demagoguery. And where does this habit come from? From the need to constantly conceal the real state of affairs. The play was written from motifs of the sketches "Rayon Daily Life" and the pages of the biography of the writer Valentin Ovechkin. At the center of the events was the first secretary of the raykom, Martynov. Having replaced in this position Borzov, who had been removed "under the pressure of criticism," Martynov sincerely tries to improve the state of affairs. But the overall policies in the rayon in the country have not changed and therefore he does not have any real possibilities. Martynov has two paths: either resort to the demagoguery of Borzov or fight against outdated policies.

L. A. Gordon: In "Say..." in my opinion, two conditions for restructuring have been demonstrated. First, it is necessary for the participants in the transformations themselves to be reconstructed internally so that they will feel the moral value of candor and have a sense of internal resistance to saying something other than what they think. And a large role is played here by art, ethics, moral example, and moral confession. But this is only

the first thing. In the second place, and this is no less important, it is necessary to have certain objective economic and political conditions. Of course, in the light of his conscience a person himself can answer for his own actions and can select his own position. But the moral positions of millions actually change only when this change does not place the masses in an impossible position and does not lead them to daily acts that are continuously in contradiction with interests—their own and also those of their comrades, co-workers, and loved ones.

Martynov is filled with good intentions when he is given authority in the rayon. But the old conditions do not disappear in just one night because the rayon leader has changed. Moreover, the political and economic conditions generally cannot be transformed through the efforts of one or several rayon leaders. Here one needs cardinal reforms that affect all levels of management. These reforms should be conducted and supported by hundreds, thousands, and millions of people. If these reforms take place it means that there is the possibility of changing man's moral image. If not, the individual person who has begun his own moral restructuring either leaves administration or again adapts his psychology and his awareness to the objective conditions in which he lives and operates.

#### Opposition of Interests

EKO: Experience shows that certainly not all people are equally ready for changes. Even recognizing in words the need for them, a person sometimes is interested in making sure that nothing changes. Even today is it possible to single out the basic sociopsychological types depending on their attitude toward the restructuring? Can art help sociologists in this case?

V. L. Sheynis: Today there certainly is a conflict of various interests, and sometimes they stand in opposition to one another. But one should recall that there are several general aspects that unite if not everyone then the majority. Art should not simply remind us of them, but also reveal them, for frequently these interests are used as a cover for demagogic falsification. In order for interests to be transformed into a moral ideal, they must be, in the first place, purged of anything false and, in the second place, they must be explained to the society both by science and by art.

N. V. Skuybin: Hardly anyone would state openly that he is against public interest; it is more likely to be to the contrary. A bureaucrat always tries to represent his own private interest as universal; like the foreman in my film, he always assigned himself the role of protector of social values, collective morality, and unshakeable principles. He is firmly aware of what is correct and what the collective wants. But who gave him the authority to draw conclusions like these?

A. K. Nazimova: But the workers recognize the rules established in your film by the foreman, and Kuzenkov ends up failing. For the foreman acts on the basis of the existing social norms and in a certain sense he expresses the collective will and the collective attitude. It is another matter when these norms are generated at the compromise between administrative-directive and command methods of management and the real living practice which has "eased" their excessive rigidity. As distinct from the foreman, the director is capable of operating more flexibly within the limits of this compromise and can achieve greater results. But I am bothered by the moral aspect of the "victory-defeat" of Kuzenkov: in my opinion, it would be a great mistake to think that one can fight for dignity using questionable methods.

B. Yu. Kagarlitskiy: Kuzenkov and the foreman are in unequal positions. It is difficult for the worker to influence the decisions of the foreman while the latter has the power and the authority of the administrative apparatus. When subordinates are deprived of the right to participate in decision-making, can one really be surprised that they sometimes behave irresponsibly? At one time N. K. Maksimova discussed in *EKO* how an entire brigade went to donate blood at the same time in order to express their dissatisfaction with the administration. If people do not have the right to disagree with the decisions of the management, they will still find a way of expressing their dissatisfaction, possibly using extreme means. As concerns the workers' agreement with the bureaucratic norms of the foreman, they simply do not know any others and they have become accustomed to these. The problem is that the bureaucrat has been able to impose his values and ideas on many people and has taught them to think in a way that is advantageous for him. And this impedes the restructuring more than anything else: for management is closely linked to education. The manager not only gives orders, but also through his actions affirms certain values and norms, which gradually become the norms of the entire collective. And if the collective has doubts about their correctness, this does not lead to the immediate triumph of other, healthier principles. The first reaction will be different: there will most likely be disenchantment and a lack of confidence in any values at all. And this is predictable because there has been an undermining not only of the authority of the given leader, but also of the existing system of human relations as a whole.

Under these conditions the question of "who educates the educator" becomes crucial. In fact, what gives the leader the right to lead? Does he have real justification for speaking on behalf of the collective? And here we must speak not only about personal authority—sometimes authority can be used to the detriment of the cause—but about general principles of leadership and the democratic approach to management.

A. M. Buravskiy: The problem is that you can give any order you want to. If you do not change the content of the order, there will be no real changes. It is necessary for

the order to provide the possibility for each person to manifest initiative with maximum advantage for the common cause and not vice versa. In other words, today we need not only demand something different of people, but also to demand that it be done in a different way.

B. P. Kurashvili: The participation of the workers in management is our main hope. Incidentally, the effect of management depends on the nature of the activity itself. Remember the publishing house in the film by G. Shengelay, "Blue Mountains": manuscripts are lost here, the people do not know what they are paying for, the reviewers talk about books they have not read, and all the time cracks are crawling along the ceiling and the entire building is gradually falling apart. What is happening in the publishing house is quite unthinkable. It is not directly linked to the personality of the director. It is much more important that for the publishing house that is managed by this person, the publication of books is a matter that is secondary at best. Other tasks and criteria exist here. The staff of the publishing house in the film is engaged only in self-reproduction. Formally, everybody is occupied with something: they are holding discussions, paying advances, and holding meetings. Only there is no result. In this system it is not sufficient to provide for the participation of lower level workers in decision making: for no important decisions are made here in any case. It is necessary to change the principles for the functioning of the entire structure and the tasks of its activity, and certain completely bureaucratized units must be simply eliminated. Then there will be some point in worker participation in management.

We have now become accustomed to thinking that if some position exists it means that it is necessary. Perhaps the person who occupies it is incompetent, he works poorly, his conditions are unfavorable, but the position is still necessary. But is this always the case in fact? It is no secret that we have bureaucratic levels that produce no advantage. The publishing house in "Blue Mountains," of course, is a symbol, but the film is about a completely real problem! It seems to me that changing our view of things depends on art to a considerable degree. It is necessary to arrive at a deeper understanding of bureaucratism and to show its danger and concrete sources.

*EKO*: Does it not seem to you that art has been given a task which science should have taken on? In the past it has frequently turned out that dramaturgs and writers have begun to analyze some social phenomenon before social scientists have: remember the play by Gelman and Misharin. There is no doubt that art cannot stand apart from the important problems of our activity, but science should also have its say.

L. A. Gordon: It would seem that neither art nor science could solve this problem individually. They must interact. We must understand that under the conditions of the restructuring many complex psychological problems arise. Take this same requirement of effectiveness: if it is



taken seriously it can complicate the life of more than just the bureaucrat. It is quite possible to imagine a situation in which the need to improve product quality, the orientation toward the final result, and the changeover to a busy work rhythm complicate life for the rank-and-file workers. It is not so easy to learn to work well, especially if you are not accustomed to this. We must not blame the bureaucrat for everything.

A. F. Kozlovskiy: Yes, changes frighten many people. Even when things are going poorly, it is difficult to change anything. We must work by the sweat of our brow for the sake of abundance. But perhaps many people can do without abundance if only they are not burdened with too heavy a production and moral load? This is very human. This is why a creative personality is so valuable to me in any way that it may be manifested and in any business. Creative activity disturbs the balance of a bureaucratized structure and impedes its "normal" functioning.

B. Yu. Kagarlitskiy: The paradox is that, on the one hand, a creative person, as a rule, actually does turn out to be a violator of the peace and, on the other hand, even a bureaucrat will recognize the fundamental need for creativity. We cannot do without new ideas, new items and new books. In the film "Blue Mountains" they cannot do without the writer who in fact writes books and bores the editors by demanding that they actually read his works. In my opinion this contradiction is very important now: for the changes have already begun. But they entail certain difficulties and outlays. And it is precisely through the attitude toward these problems and not through general words that a civic position is clarified. Some try to overcome these difficulties creatively while others think about returning to the old ways. It is clear that there can be no return—the objective conditions will not allow it. But the desire to turn back is just as real and predictable as the changes themselves. Moreover, this is one of the psychological aspects of the changes, and its consequences must be taken into account in the most serious way.

#### Art as a Social Factor

EKO: The moral and psychological aspects of the restructuring are no less important than the production aspects. It is necessary for the renewal of our life to develop as an integrated and simultaneously multiplanar process. What can art do for this? And what is the influence of the restructuring on artistic creativity?

G. G. Demin: We must not demand too much of art. To what extent can the theater or the movies in general contribute to the establishment of a higher level of social justice? In the final analysis, the question of the paths of development of the society will not be resolved on the stages of theaters. In a play it is possible to show a good outcome, but life will not change because of this. If art

can actually do something, it is to draw attention to the sore spots and attract attention to unsolved problems. But they must be resolved by practical life.

B. Yu. Kagarlitskiy: During the course of our discussion today the idea of the existence of two types of workers has been repeated several times. On the one hand, the Kuzenkovs and Redkins are creative people for whom the renewal opens up the prospects of self-realization. They are representatives of skilled labor who need new rules of management and new production relations: for it is well known that the old rules were formed during the 1930's when unskilled labor prevailed.

But we must not forget about the other type—those for whom creativity is not the most important principle of life, who do not have a high level of skills or professional knowledge. Does this mean that they are against the restructuring? No, since they are interested in its results. Redkin correctly assumed that abundance is advantageous to everyone. As consumers all of us are equally interested in an effective, dynamic economy. The only thing is that during the process of the transformation some are ready to participate actively while others passively wait for the results or are frightened by what is demanded.

It is understandable that the Kuzenkovs and Redkins will not do all the historical work; the changes must become the cause of the majority. A radical reform should not repeat the mistakes of Kuzenkov or the destiny of Redkin. It is necessary to find principles that unite the most developed and skilled social segments that are on the cutting edge of restructuring with other groups. For the restructuring means not only changes in the economic mechanism; it means also the activation of civic awareness and a moral renewal. And moral principles are common for everyone. It seems to me that art should take maximum advantage of the moral potential of the changes and help to form the moral program and principles of an active civic position which, by affecting the majority, will unite the people and show them the need to participate in the transformations.

L. A. Gordon: One can raise the issue in a different way: the restructuring strengthens the competitive aspect of our life. And if while running in place, as we know, "nobody is in front and nobody is behind," today there are leaders. In these cases to declare "let the losers cry" is not the best thing to do. Perhaps under these conditions the task of art consists in consoling the loser?

V. L. Sheynis: This task cannot be assigned to art alone. In our society, like any other that is changing over from stagnation to dynamic development, various value systems come into conflict. And if in one the prominent values are those which still must be achieved, in another it is the guarantee of maintaining the positions, goods, wages and so forth that have already been achieved. The boundary between these two approaches divides the society not along the horizontal but along the vertical.

Today there are fairly influential forces speaking out in favor of restructuring—"from the worker to the minister." But on the other hand, there are both workers and ministers against the restructuring. In order to weaken the social resistance to restructuring, it would be desirable to retain a certain minimum of guarantees for the still fairly large segments who are not capable of entering in the "race for the leader" and this should be done without detriment to their human dignity. It is important to isolate convinced opponents of restructuring and deprive them of their social base.

B. P. Kurashvili: It is necessary to clarify: the socialist approach to competition means that we are speaking not about a struggle of individuals who lock horns, but about a competition of collectives. And within the collective of the fact of creative competition with others can strengthen mutual assistance and solidarity. In view of this, is there any need to especially console anyone? Of course, whatever we may say about the tasks of art, it will also be diverse, including in its essence. There will probably be a "consoling" area. It is only a question of what is most advanced.

A. M. Buravskiy: It is naive to think that art can form a particular morality on order. Attempts to give a conscience to those who have none are useless. The goal of art has always been to recognize man and interpret social life—including production life—in its specific categories. There is nothing surprising about the fact that the logic of people who have managed to get into the trolley car is different from those who are walking. What should art do under these circumstances? Console those who have stayed behind the barrier? It is possible. But is it necessary? Would it not be better simply to remove the barrier?

Of course it is necessary to condemn immoral actions. But one must also recall that morality is formed, in the final analysis, not by art but by the law and its fulfillment. It is an inadmissible situation when "some are more equal than others." Until we put an end to this, discussions about consolation will produce nothing....

We must be equal not "in something," but before something—the law, the streetcar.... And the situation must be changed by us ourselves, altogether. I must say that changes in and of themselves create a particular moral climate. As concerns art, its purpose in this situation is even in defeat to find the germ of a future victory. And in this sense the outlays and difficulties of changes can be even more important for the artist than the successes.

A. F. Kozlovskiy: I personally am against "consoling" art. But, of course, it has a right to exist. It is only bad when it addresses only the leading people or only those who are behind: competition presupposes an equality of opportunities. For creativity we need not hothouse conditions but precisely equality—and the conditions can be very severe. But nobody should have any privileges for otherwise the competition will be unfair.

A. K. Nazimova: What does "unfair competition" mean? How do you understand this?

N. V. Skuybin: I shall give the simplest example. Today the possibilities of a movie director are frequently determined not by his talent, but by the studio in which he works: the larger the studio the greater the possibilities. Justice demands that everyone have the same initial possibilities. Then it will become clear who is more talented. It is curious that now that such a possibility is appearing many people who are not at all without talent are beginning to be concerned: their customary insurance is disappearing. But still a truly creative person will recognize that this equality is necessary, even if life becomes somewhat more difficult for him himself.

Incidentally, there is another side to the coin. We are arguing about what art can do for restructuring. But in order for us to cope with our new tasks the restructuring must also have an impact on us and give us new rights and opportunities. And we need nothing more than for people to trust us and give us the opportunity to make the films suggested to us by our creative and civic conscience.

EKO: During the course of the discussion we have spoken mainly about the link between art and socioeconomic problems. The level of understanding of these problems, naturally, depends not only on art, but also on science. How can science assist artistic creativity?

A. F. Kozlovskiy: I should like for sociology to be more concrete and the information in our economic and sociopolitical magazines to be more complete. For the reader and the viewer are expecting from us not individual facts, but generalization; personal experience alone is not enough for generalizations. The writers need assistance from social scientists and we need a richer supply of information concerning the society. We wish to gain a better idea of those real conflicts which we are always encountering. And it is only scholars and specialists who are able to learn to see not only their manifestations but also their essence.

B. P. Kurashvili: Otherwise we will be like the heroes of "Blue Mountains" who try to explain the cracks in the building not by the underground movements but by the noise that is coming from the motorcycles outside the window, that is, they are looking on the surface for the cause of profound processes. Even in 1987 the "leopard of history" will not change its spots!

G. G. Demin: It would not be a bad idea for certain works of art to be analyzed not only by literary and theater critics, but also—from their own standpoint—by sociologists, economists, and other social scientists. They could better figure out what is true and what is false. Pushkin's Apellas refuted the claims of the shoemaker, but he could hardly draw a picture of the reequipment of the footwear industry of Ancient Greece. Otherwise, possibly, he would have had to take up his

brush again and correct more than one sandal. Moreover, the influence of art on the economy is increasing—at least in the formation of a lifestyle, and therefore it is necessary to build bridges between cultural workers and those to whom their work is addressed. *EKO* is providing a good start in this direction. Such meetings as today's should become regular events.

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### Economy of Socialist Community Discussed

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[Article by L. A. Tarasov, candidate of economic sciences, Institute of Economics of the World Socialist System of the USSR Academy of Sciences (Moscow): "The Economy of the Socialist Community: Establishment, Development, Problems"]

[Text] This year we are summing up the results of the development of socialism in the many centuries of history of world civilization. Having put an end to the exploitation of man by man, the October Revolution laid a foundation for restructuring the society in the interests of working people. During 1944-1949 popular-democratic and socialist revolutions were successful in Bulgaria, Hungary, the GDR, the democratic republic of Vietnam, Poland, Romania, Czechoslovakia, Albania,

China, and Yugoslavia. Mongolia entered on the path of the construction of socialism even earlier, and Cuba began in 1961. Socialism has gone beyond the framework of a single country and has been transformed into an economic and political system.

The relations of socialist internationalism were embodied most fully in the socialist community that now joins together 10 countries of Europe, Asia and America, with a population of about 475 million people. In the complex international situation of the Cold War period, on the basis of equal rights, in 1949 the governments created the Council for Economic Mutual Assistance. By that time the European countries of popular democracy had basically completed the restoration of the national economy, the authority of the working class had been consolidated, the main means of production had been nationalized, and a strategic task had been formulated—to construct a socialist society.

### The 1950's

During the course of industrialization, the provision of full employment for the population, and the creation of large socialist economies in rural areas through cooperation, on the whole from 1950 through 1960 there was a sharp increase in the rates of economic growth: the national income increased by a factor of 2.5, and industry by a factor of more than 3 (see Table 1). The large economic and social transformations essentially changed the structure of the national economy and provided for an increase and an equalization of real incomes of workers and peasants and a reduction of economically unsubstantiated differentiation in the standards of living and the property situations of individual social groups.

Table 1—Average Annual Growth Rates of Basic Indicators in CEMA Countries During 1951-1960,

	NBR	VNR	GDR	PNR	SRR	USSR	CSSR
Produced national income	10.9	5.9	10.1	7.6	10.3	10.2	7.3
Gross industrial output	14.8	10.3	11.1	12.2	13.0	11.3	10.2
Labor productivity in industry	6.6	4.0	8.0	8.3	9.0	7.4	7.2
Gross agricultural output	6.1	1.9	3.1	2.3	5.5	5.0	1.4
Capital investments	14.9	7.0	16.2	10.0	15.9	12.0	11.3
Retail commodity turnover	12.3	6.9	2.7	8.0	11.2	11.4	5.7
Foreign trade turnover (in current prices)	17.0	10.9	17.5	8.1	11.6	13.1	10.2
Number of workers and employees	8.0	6.1	2.0	3.8	4.0	4.4	3.5

There was an appreciable rise in the level of collectivization of productive forces. By 1960 enterprises of the socialist sector of the economy produced from 68 percent (PNR) to 100 percent (USSR, MNR) of the national income, and from 17 percent (PNR) to 99 percent (USSR, MNR) of the agricultural output. The structure of productive forces changed in favor of the industrial sector, and within it—in favor of means of production. In 1950 the share of industry and construction in the produced national income amounted to from 35 percent (VNR) to 71 percent (CSSR), and the share of group "A" in the volume of industrial output—from 38 percent

(NRB) to 69 percent (USSR). As a result of the rapid growth of the production of electric energy, products of the chemical and fuel industry, ferrous and nonferrous metallurgy, and machine building, by 1960 the share of industry and construction had increased to 47 percent (VNR)—74 percent (CSSR), and of group "A"—to 47 percent (NRB)—73 percent (USSR). It is typical that in those countries where the proportion of the key branches were the lowest before World War II the growth rates of energy engineering, machine building and chemistry appreciably surpassed analogous indicators in industrially developed countries of the community. This showed



the beginning of an equalization of the levels of economic development of the countries of socialism.

### The 1960's

The socialist community was faced with a structural rearrangement of the economy in keeping with the scientific and technical revolution that had begun and the higher level of utilization of fixed capital and material and labor resources. The expansion of the scale of production, the complication of the structure of the national economy and its needs and interests, and the multiple variants in achieving goals required more comprehensive and flexible management.

Yet the centralized, physical-branch approach to planning and management of production and distribution of material resources that was formed in the 1950's prevailed in the CEMA countries. During the period of industrialization and the provision of economic independence this approach enabled the state to concentrate funds and direct them toward solving immediate problems. Moreover, industrialization sometimes was forced in spite of the cost. The expanding practice of arbitrary decisions on the part of state and planning agencies introduced into economic life extreme organizational

power that entailed losses and mismanagement. This led to an appreciable reduction of the rates of economic development in the first half of the 1960's. On the whole in the CEMA countries the average annual increase in the national income during 1961-1965 dropped to 6 percent (1951-1960—9.6 percent), and in Czechoslovakia—to 1.9 percent. In the majority of fraternal countries there was a fraternal tendency toward underfulfillment of the national economic plans and a weakening of the planned basis in management.

In the second half of the 1960's economic reforms began to be conducted in the socialist community. Their basic direction was to increase the interest of the enterprises in improving the results of production and financial activity and to expand cost accounting relations. The increased economic independence of the enterprises and the improvement of methods of economic incentives and price setting, although they were half-hearted in the majority of the CEMA countries, made it possible during the second half of the 1960's to increase the growth rates of production (see Table 2). The average annual rates of increase in the produced national income during 1966-1970 were 7.3 percent. The rapid growth of reciprocal trade among the CEMA countries contributed to this as well.

Table 2—Average Annual Growth Rates of Basic Indicators in CEMA Countries During 1961-1970

	NBR	VNR	GDR	PNR	SRR	USSR	CSSR
Produced national income	7.6	5.5	4.3	6.1	8.4	7.1	4.4
Productivity of public labor	7.7	3.6	4.5	4.3	8.3	6.4	3.4
Gross industrial output	11.4	6.9	6.1	8.3	12.8	8.6	6.0
Labor productivity in industry	6.8	4.3	5.6	5.1	7.5	5.2	4.4
Gross agricultural output	3.3	2.0	1.5	2.2	2.2	3.3	2.0
Capital investments	10.1	8.6	7.3	7.4	11.2	6.9	4.6
Retail commodity turnover	7.8	7.0	3.7	5.9	9.1	7.1	4.7
Foreign trade turnover (in current prices)	12.3	10.1	7.9	9.8	10.8	8.1	7.2
Number of workers and employees	4.5	2.3	1.1	3.3	4.6	3.8	2.3

By the beginning of the 1970's all of the CEMA countries had achieved a high level of employment of the able-bodied population. In the second half of the 1960's there was an acceleration of the redistribution of the increase in labor resources in favor of the nonproduction sphere. Agriculture sharply reduced the supply of working hands for other branches and the proportion of working women in the overall number of workers increased significantly. At the same time the growth rates of fixed production capital began to outstrip the growth rates of the national income. There began to be a tendency toward stable increase of output-capital ratio of public production which developed during the 1970's. Expenditures of material resources per unit of national income increased. That is, in the economic structure of the fraternal countries there was an accumulation of factors that limit economic growth, which was clearly manifested at the end of the 1970's and the beginning of the 1980's.

### The 1970's

The progress of the socialist community in economic construction during 1971-1980 is characterized by the figures in Table 3.

In 1980 as compared to 1970 fixed production capital in the CEMA countries as a whole doubled. The significant scale of production investment made it possible to appreciably expand the technical base of the material sphere.

More than 80 percent of the increase in the total output was provided through increasing labor productivity. This was more than during any preceding decade. By the

end of the 1970's the number of workers decreased in industry in Hungary and Poland and in construction in Bulgaria, Hungary and Poland.

Structural changes were noted in the production of material resources. The increase of the national income in the CEMA countries in 1980 in comparison to 1970 was 66 percent. In the production of material goods in

increased proportion came from industry, construction and the sphere of circulation while there was a reduction of the share from agriculture and forestry. At the same time the volume of agricultural production increased in the absolute sense. The gross output from the branch in the CEMA countries as a whole increased by 17 percent during 1971-1980.

Table 3—Average Annual Growth Rates of Basic Indicators in CEMA Countries During 1971-1980, %

	NBR	VNR	GDR	PNR	SRR	USSR	CSSR
Produced national income	7.0	4.9	4.8	5.4	9.2	5.0	4.6
Productivity of public labor	6.9	5.3	4.5	5.0	8.9	3.9	3.9
Gross industrial output	7.5	4.9	5.7	7.6	11.2	5.9	5.7
Labor productivity in industry	6.0	5.4	4.9	5.9	6.6	4.5	5.1
Gross agricultural output	1.9	3.6	2.0	0.8	5.1	1.1	2.0
Capital investments	6.3	4.7	4.1	6.8	10.0	5.2	5.4
Retail commodity turnover	5.9	4.3	4.8	7.1	7.9	5.4	3.4
Foreign trade turnover (in current prices)	14.4	11.5	11.7	14.4	17.0	15.6	11.6
Number of workers and employees	3.6	0.7	2.3	2.0	3.7	2.3	1.1

Of greatest practical significance was the provision of an increase in output without increasing the number of people employed, the increase in the degree of processing of raw and processed materials, the expansion of the number of waste-free and reduced-waste productions, the introduction of technologies that made it possible to produce products with smaller material expenditures, the stabilization of the national economic output-capital ratio, the consolidation of the balance on the domestic market, and the overcoming of the shortage of individual material resources.

The levels of economic development continued to equalize. While at the beginning of the 1960's the relationship between the extreme values of per capita national income in the European CEMA countries was 1:2, by the beginning of the 1980's it had decreased to 1:1.3. The more developed socialist states rendered significant support to Mongolia, Cuba, and Vietnam. With the help of the USSR and other CEMA countries, in 35 years these countries constructed more than 750 large national economic facilities.

Complex problems were also resolved in the foreign economic sphere. By the beginning of the 1970's modern industry had basically been created in the European CEMA countries and the production specialization among them had been determined. As a result the CEMA countries began to deliver more items with a high degree of processing to the international markets. In 1970 the proportion of equipment in the value of exports was from 23 percent (FRR) to 52 percent (GDR). But the growth of foreign trade exchange of prepared products (mainly machines and equipment) was provided mainly as a result of the reciprocal trade market where the

demand was fairly stable and the requirements for quality and technological level were lower than on the markets of developed capitalist countries.<sup>1</sup> The fact that the products could not compete adequately on the capitalist market made this less advantageous than the CEMA market. This predetermined the high national expenditures on imports in convertible currency and increase the demand through expansion of reciprocal trade.

During the first half of the 1970's foreign trade prices for prepared products, fuel, raw materials and processed materials in reciprocal trade had an appreciable effect on the changes in the structure and dynamics of industrial development and, through them, also economic development. Their ratios made it possible to increase exports of equipment without improving its quality to meet world requirements or its ability to compete.

The pro-export orientation and the maintenance of a stable demand for equipment and other prepared products and reciprocal trade among the CEMA countries, because of the high rates of increase in exports, kept the rates of industrial production high almost until the end of the 1970's.<sup>2</sup> But by that time the conditions for effective utilization of the advantages from international distribution of labor had become much more complicated. The causes of the changes arose initially in the capitalist economy and then embraced trade among the CEMA countries as well. They were predetermined by the sharp fluctuations in prices on the world market which generated significant difficulties in world trade and the international currency-financial system. At their basis lay an approximately five-fold increase in the cost of fuel as compared to the other commodities. This

essentially reoriented scientific and technical development and required structural rearrangement of the fuel-energy balance, production, and export-import operations as well as a revision of investment programs. On the world market there was a sharp increase in the demand for higher effective, material- and energy-saving equipment and there was a steady decline in the demand for traditional kinds of equipment which turned out to be obsolete and economically disadvantageous. There was an even greater expansion of the group of branches whose products are no longer in demand on the world market. The advantage was gained by those countries and branches whose items reflected more fully the new technical and economic requirements.

It became obvious that the possibility for accelerating scientific and technical progress as a decisive condition for the success of socialism in economic competition with capitalism during the 1970's were far from fully realized. The fact that the rates of economic development of the socialist community were more rapid than those of developed capitalist countries was based largely on traditional technology. The program requirement to combine the advantages of socialism with the achievements of scientific and technical progress was not properly reinforced organizationally.

The high resource-intensiveness of reproduction by the beginning of the 1980's had sharply worsened the supply of raw material, fuel and the latest technologies for the national economies of all the CEMA countries. The small proportion of high-quality items in industrial production limited the growth of the effective export and, consequently, the acquisition of currency funds for purchasing the necessary industrial and consumer goods.

The resource-intensive economic growth required additional material, labor and investment resources which, in turn, preserved the high share of fuel and raw material branches in the material structure of production and foreign economic exchange. The primarily extensive nature of economic development reduced the effectiveness of production and foreign trade exchange, and there was an increase in expenditures on the extraction of fuel and raw material resources and the production of agricultural products. The basic national economic proportions began to be violated in the economy of the socialist community: between public demands and the level of production that had been achieved, and between the effective demand and the commodities to cover it. As a result, the rates of economic growth during the second half of the 1970's dropped steadily (see Table 4).

Table 4—Average Annual Growth Rates of Produced National Income, %

	CEMA	NRB	VNR	GDR	PNR	SRR	USSR	CSSR
1971-1975	6.4	7.8	6.5	5.4	9.8	11.3	5.7	5.3
1976-1980	4.2	6.0	3.4	4.1	1.1	6.9	4.3	3.7

The reduction of the rates as compared to the preceding 5 years was included already in the national economic plans for 1976-1980. But even they were not fulfilled. For instance, in terms of the average annual rates of increase of the national income, the underfulfillment as compared to the directives amounted to (in points): in Bulgaria—1.7-2.4, Hungary—1.9-2.3, the GDR—0.8-1.2, Mongolia—0.3-0.9, Poland—5.9-6.2, Romania—3.1-4.1, the USSR—0.5-1.2, and Czechoslovakia—1.2-1.5. The reasons? The fact that the reaction of the economic policy and the economic mechanism to the changing conditions for management was not flexible enough. The rigid orientation toward concepts of development of the material sphere envisioned in the five-year plan did not produce the planned effect in the more complicated economic situation. This narrowed the possibilities of maneuvering three capital investments and social measures and made it impossible to accumulate material reserves and reserves of production capacities. In the annual plans more and more frequently the normatives for the expenditure of material funds and working time became more rigid without the proper technical and economic support, which made the economy even more unbalanced.

In order to overcome the negative consequences of the lack of balance, administrative methods began to be used

extensively to retard the growth of investment expenditures and the consumption fund. But they did not produce the expected effect. There was an appreciable decline of the rates of economic growth and, correspondingly, the possibilities of satisfying public demands. In spite of this, the majority of the CEMA countries basically retained the provisions of the five-year plans for growth of monetary incomes of the population, which complicated the situation on the consumer market even more. The strengthening of the inflation tendencies and the increase in prices for consumer goods and services weakened the material prerequisites for stimulating labor productivity and increasing the labor productivity of the workers.

Technical reequipment of production in order to provide for growth of labor productivity, because of the inadequate resources, was not comprehensive and did not include the situation. Moreover, during 1976-1980 as compared to 1971-1975 there was an appreciable (1.5-2-fold) increase of the capital-intensiveness per unit of increase in output, which made the effectiveness of production worse and reduced resources for technical development.



It was not just in industry that unfavorable tendencies were observed. In the agriculture of the majority of European CEMA countries, after a marked increase the average productivity of the basic grain, feed and industrial crops during 1971-1975, the increase in gross harvests gradually declined. The development of the feed base lagged behind the needs of animal husbandry. As a result, the dependency of agriculture of the CEMA countries (except for the VNR) on imported grain deliveries increased, the development of animal husbandry slowed down, and the demand of the population for products from the branch outstripped the development of production. In order to weaken the dependency on imported feeds, certain fraternal countries began to regulate the number of livestock.

Because of the extensive resource utilization and the arrears in the rearrangement of the production structure and the economic mechanism, material reserves were exhausted in the majority of the CEMA countries. In

order to maintain the growth rates, the countries of the community made large purchases of raw materials, processed materials and equipment, in spite of the deterioration of foreign economic conditions.

The negative trade balance of the majority of the CEMA countries with the developed capitalist states in the 1970's (see Table 5) increased foreign indebtedness and payments for its repayment. This diverted material resources from national production and limited economic growth. In the foreign trade exchange of the majority of countries of the community prices for exported products increased more slowly than import prices, which required additional commodity export per unit of currency expenditures on imports. The large amount of credit obtained by certain fraternal countries from capitalist states for technical reequipment of individual productions and diversification of foreign trade did not produce the expected effect.

Table 5—Foreign Trade Balance of European CEMA Countries in Trade With Developed Capitalist States (in Current Prices), Billions of Rubles

	NRB	VNR	GDR	PNR	USSR	CSSR
1971-1975	-1.2	-1.0	-2.8	-5.1	-5.4	-1.1
1976-1980	-1.0	-4.1	-5.4	-7.5	-7.0	-2.5

By the end of the 1970's there was a stabilization of employment in the material sphere in the VNR, SRR, and PRR and a marked slowing down of the absolute increase in the NRB, the GDR, the USSR, and CSSR. The limitation of the possibilities of economic growth through the enlistment of additional labor force was only partially compensated for by the increase in labor productivity. In the majority of CEMA countries labor productivity accounted for a greater proportion in the increase in national income and the output of industry and construction, but the average annual rates of its increase during 1976-1980 were lower than the preceding 5 years by 1.5-3 points.

The capital availability for live labor continued to increase during the second half of the 1970's. This process, which solved social problems as well, developed according to its own dynamic and branch structure

(above all in agriculture) in such a way that in all CEMA countries the national economic output-capital ratio (ratio between fixed production capital and national income) increased.

A most important condition for ensuring economic growth during the 1970's was stable supply of raw materials, fuel, and basic processed materials for the national economy and more efficient utilization of implements of labor in production. In spite of the reduction of the proportional expenditure of processed materials, fuel, and energy in individual branches, in the national economy as a whole there was no radical change in the national economic material-intensiveness during the 1970's. In general form this conclusion is supported by the fact that the growth rates of the gross social product were more rapid than the national income and the growth rates of the gross agricultural output were greater than those of the net output (see Table 6).

Table 6—Rates of Increase (Reduction) of Gross Social Product and Produced National Income, and Gross and Net Agricultural Output in 1980; 1970 = 100

Gross Social Product		National Income		Agricultural Output	
Gross	Net				
NRB	94	96	21	-16	
VNR	59	55	42	12	
GDR	62	59	22	11	
PNR	No information	69	8	-8	
SRR	130	141	65	40	
USSR	67	63	10	No information	
CSSR	59	57	22	10	

The growth of material production and its intensification, in the final analysis, determines the volumes and structure of material resources for consumption and accumulation. The growth rates and improvement of the substantial structure of group "B" lags behind the growing demand for objects of consumption. Monetary incomes were not covered by commodities, the possibilities of material stimulation were limited, and the condition of monetary circulation on the domestic market deteriorated. To one degree or another the situation that took form during 1975-1980 was retained during the first half of the 1980's as well.

#### The 1980's

During 1981-1985 the average annual increase in national income of the socialist community was 3.3 percent, industrial output—3.4 percent, and agriculture—2.0 percent. The unfavorable tendencies and difficulties were manifested most clearly in 1981-1982. The average annual growth rate of the national income of the CEMA countries (not including Vietnam) dropped to 1.9 percent, and industrial output—to 2.1 percent. In Poland, because of the destabilization of the political and economic situation, the volume of produced national income in 1982 decreased by 17 percent as compared to 1980.

The retardation of the rates of economic development of the CEMA countries at the end of the 1970's, as was noted at subsequent congresses and plenums of the central committees of the communist and workers parties, was determined not only by objective factors, but also mistakes and inconsistency in the implementation of the socioeconomic policy. During all these years economic construction was taking place in a complicated international situation and was accompanied by contradictions, opposition and fluctuations of individual social groups and people in social life, production, and management. The final results in many areas do not reflect the real possibilities of the economy and were less than the established assignments. The plans were unjustifiably adjusted, which violated the stability of material and technical supply and reduced the effectiveness of

management. The lack of balance in the national economy also had a negative effect. Price setting, economic levers, and methods and style of management were in need of improvement. Imports from developed capitalist states, as a rule, were not used to raise the technical level of the product or to create additional capacities in the export sector. The reason for this, as was noted in documents of the fraternal parties, lay primarily in shortcomings in management.

The failure to fulfill assignments for increasing the effectiveness of production made it necessary to expend additional raw material and energy and to redistribute investments in favor of capital-intensive production at the expense of branches that are bearers of technical progress. This complicated and retarded the introduction of the latest achievements of scientific and technical progress. The low growth rates of capital investments did not provide for the necessary replacement of fixed capital and the level of their wear and tear remained high.

The deterioration of the technical condition of the production apparatus led to inefficient utilization of raw and processed materials, aggravated the shortage of them, and retarded economic growth.

Because of the significant production of poor-quality goods and the low demand for them, supplies of them increased, the effectiveness of foreign trade decreased, and national economic losses increased. In the world capitalist market by 1985 prices of petroleum and petroleum products had decreased, which reduced the currency revenues of the CEMA countries from trade with capitalist states. As a result the problem of increasing the output of high-quality prepared products and exporting them became crucial.

The complication of domestic and foreign economic conditions and the subjectivist deviations and mistakes in the implementation of the economic policy at the beginning of the 1980's led to a marked reduction of the rates of development, and national economic proportions changed. In all the CEMA countries the growth rates of the national income used for consumption and accumulation were lower than the produced national

income. The retardation of the growth of resources for consumption and development was determined basically by the need to pay back the large amount of indebtedness to foreign countries since the interest on credit had increased appreciably and the United States and other NATO countries were trying to organize a currency blockade against the countries of the socialist community.

According to estimates of the UNEEC, the net indebtedness of the European CEMA countries to developed capitalist states beginning in 1982 decreased by an average of \$5 billion a year (see Table 7). Moreover, Czechoslovakia and Bulgaria had basically completed the restoration of the foreign economic balance by 1985, indebtedness had decreased appreciably in the GDR, Hungary, and Romania, but Poland and Cuba had only managed to halt its growth.

Table 7—Net Indebtedness of European CEMA Countries, Billions of Dollars

	1980	1981	1982	1983	1984 (at end of June)
Bulgaria	2.7	2.1	1.8	1.3	1.0
Hungary	8.1	7.8	7.0	7.0	6.8
GDR	11.7	12.6	10.7	8.8	7.3
Poland	24.5	24.5	25.2	25.2	25.3
Romania	9.3	10.7	9.4	8.4	7.8
Czechoslovakia	3.6	3.8	2.8	2.5	2.0

Up until approximately 1983, the dynamics and proportions of domestic utilization of material resources were also influenced by the failure to fulfill planned assignments in the area of increasing the effectiveness of production and the rates of economic growth. Adjustments were made to both the consumption fund (through limiting the growth of its physical volume and increasing retail prices) and the consumption fund (through reducing capital investments).<sup>3</sup> An analysis of the economic situation during 1981-1982 showed that Hungary, Cuba, Poland, Romania, and in part Czechoslovakia had almost exhausted the possibilities of further reducing imports, reducing capital investments, and freezing the standard of living in order to repay foreign indebtedness and maintain the ability to pay in relations with capitalist states.

In 1983 the situation began to be rectified: the growth rates of the national income increased, more resources were used for increasing labor productivity, investment plans in the most important areas of the socioeconomic sphere were encouraged, and streamlining of industrial consumption and capital construction began to produce a return. The CEMA countries began to rely on elimination or alleviation of the shortage of goods and services. The sale of industrial goods (in physical volume) outstripped the sale of foodstuffs in the majority of CEMA countries. During 1981-1985 consumer prices rose appreciably. They were used more actively to regulate consumer demand and commodity supply in Poland and Hungary. There the increase in consumer prices is an element of the current economic policy and it is accompanied by granting partial compensation to individual groups of the population (mainly those with fixed incomes and the underprivileged). In 1986 the produced national income of the CEMA countries increased by 4.3 percent (1985—3.6 percent), and industrial output—4.7 percent (1985—3.9 percent). The rates of increase of the

national income used for consumption and accumulation in 1986 were lower than the produced national income. For individual countries (VNR, Cuba, PNR) this process assumed the nature of a long-term tendency and was determined basically by the need to single out material and currency funds to repay indebtedness and pay interest on credit to Western countries. The majority of CEMA countries fulfilled the annual plans for the production of material resources. The provision of energy, fuel, and basic materials for the national economy improved. The volumes of assimilation of secondary resources increased.

In 1986 more than 90 percent of the increase in national income was obtained as a result of increasing the productivity of public labor. The more stable development had a favorable effect on the utilization of production capacities, the loading of transportation, and the implementation of investment programs. In capital construction, with a 6-percent increase in the volume of capital investments in 1986 (1985—3 percent) and with a greater orientation of the investment policy toward priority tasks of scientific-technical and social development, there was a strict limitation of the front of capital construction and attention was concentrated on completing facilities under construction.

The situation in agriculture improved. The increase in the branch's output in 1986 was 5 percent and the growth yield of grain reached 331 million tons, which is 9 percent more than in 1985.

The rates of increase of the real incomes of the population in the fraternal countries in 1986 were 2.4 percent (1985—2.2 percent). On the domestic markets of the majority of CEMA countries the growth of the commodity mass in value terms basically provided for correspondence between supply and demand as a result of increasing deliveries of goods and paid services to the market,



raising consumer prices, and monitoring more closely the results of labor and the payment for it.

For 1987 it is intended to further accelerate the development of the CEMA countries. It is planned to increase the production of the national income and industrial output by 4.2 percent and agricultural output—by 5.5 percent. Major attention will be devoted to the acceleration of scientific and technical progress, improvement of the structure of production, improvement of product quality, resource supplies, and activation of the social policy. There will be a continuation of the improvement of production relations, the streamlining of management, and the activation of the utilization of economic methods. They shall use 75-80 percent of the national income to satisfy the activation of the utilization of economic methods. They shall use 75-80 percent of the national income to satisfy the demands of the population. The material base of the social sphere will expand. Special significance will be attached to the fulfillment of assignments envisioned by the Comprehensive Program for Scientific and Technical Progress of the CEMA Countries. New forms of cooperation are being introduced: direct production ties and joint enterprises.

#### Footnotes

1. The proportion of equipment in the value of exports of European CEMA countries to developed capitalist states in 1970 was from 4 percent (VNR) to 18 percent (GDR). It decreased in subsequent years.

2. The proportion of exports in the value of the industrial output in 1980 was from 14 percent (PNR, SSR) to 50 percent (VNR), and in the output from machine building—from 15 percent (SRR) to 50 percent (VNR). The European CEMA countries satisfied 30-75 percent of the domestic demand for energy resources through foreign sources of supply.

3. The absolute volume of capital investments in 1985 decreased as compared to 1980 in the VNR, GDR, PNR, SRR and CSSR.

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**Sabotage of Production Cooperation Satirized**  
182000341 Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 11, Nov 87  
pp 186-188

[Article by Oleg Charushnikov (Novosibirsk): "'Vakh!' 'Okhokhonyushki!'" ]

[Text] The electric teapot plant and the bed factory had been fast friends for a long time. At high-level conferences the two directors, Petrushin and Guryants, always

sat next to each other. They had much in common. But the plant and the factory failed to meet the plans with ironclad regularity. Therefore at high-level conferences the directors were frequently scolded for a long time. Guryants was a feisty person and in response to criticism he got puffed up and blew off a lot of steam. The melancholy Petrushin would grow pale and sigh.

"Why is there no plan?" the hot-tempered Guryants would shout during the recesses. And he would answer himself: "There is no reason, to hell with them! And a bed without springs, that is...that is like...."

"That is something like a teapot without a lid," sighed Petrushin. "We, dear friend, never have tin for lids. Some things we have and some things we do not. And we do not let it get us down."

He walked away, a meager managerial tear.

"Vakh!" Guryants raised his hands to the sky.

"Okhokhonyushki..." Petrushin seconded him.

Once during a break from one of the high-level conferences Petrushin became interested:

"Listen, Aram, how are you fixed for tin?"

"We have heaps of that garbage!" Guryants answered, irritated. "Our storehouses are stuffed with tin. But where are the springs, I ask you?"

"In our main administration," Petrushin said, looking around, "they have nowhere to put all the springs. I will give you as many as you need. But tin—that is another matter...."

"What was I thinking about before?" Guryants shouted. "Tomorrow you will receive your tin and give me my springs. We will take care of it between the two of us!"

The exchange took place and the next month the plant and the factory for the first time in their history rose to 96 percent of the plan. At the high-level conferences they continued to scold both directors, but with considerably less zeal. Petrushin and Guryants stopped sitting in the last row and moved to the middle.

"But still it is stupid," Petrushin said once. "It is stupid, I say, to trade springs and tin back and forth. Let us do this: I will assemble some of the beds at my plant and you, little by little, stamp lids for us out of your tin. Will it work? We will save a lot of time!"

The decisive Guryants did not ask any questions and the fulfillment of the plan jumped to 99.2 percent. At the high-level conferences the directors now sat in the first rows and looked with dignity at the presidium.

But Guryants continued to suffer.

"We are missing eight-tenths. Think, friend, think!"

Petrushin reasoned logically:

"It is all a matter of a lack of rhythm. The lion's share of the output comes in the last 10 days of the month. I do have one little idea...."

"Vakh!" was all that Guryants could say when he grasped the idea.

Bright days came to the plant and the factory after that. At the high-level conferences after this the directors sat in the presidiums. Guryants sometimes came down from there in order to impress his colleague directors with his latest achievement. His factory produced 100 percent. Petrushin was a restrained man and was satisfied with 105. His colleagues were delighted and were confused....

But even more impressed was the commission that came from the ministry to become familiar with the advanced experience.

At the electric teapot plant the members of the commission found people in the heat of labor. These were the first days of the month but nobody thought about standing idle. The teapot workers were assembling beds by the sweat of their brow. Working shoulder to shoulder with them were there bedmaker friends. People were in a hurry: once the monthly program for the output of beds was completed, it was necessary to move over to the factory and everyone had to make teapots.

Petrushin had not thought of anything new. He was simply using the ancient peasant method of so-called assistance. Idle time and, consequently, emergencies disappeared. There was simply no time left for them. The impressed commission immediately hurried back to the ministry, taking the directors with them....

Petrushin and Guryants returned very sad. The most decisive conclusions were drawn. The bed factory was ordered to change over to the production of scooters. And the electric teapot makers were switched over to producing table lamps. At the high-level conferences the directors again took their old places in the last row and tried not to talk about the plan.

"Vakh!" sighed Guryants.

"Okhokhonyushki," seconded Petrushin.

Once during a break Petrushin looked around and said:

"Aram, I hear you are having a problem with bearings. We have piles of them, but when it comes to cable...."

"We have cable, we have cable!" Guryants whispered excitedly.

"So perhaps we can deepen our cooperation! Just between ourselves?"

"Vakh! Of course we can!"

"Only sssh!" Petrushin whispered. "We do not know...."

"Sssh," Guryants responded. "This is the first time I have ever seen you...." The directors put on blank faces and moved to opposite ends of the last row.

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### Satire Questions Acceptance of Glasnost

18200034m Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 11, Nov 87 pp 188-189

[Article by V. Pankov (Moscow): "The Request"]

[Text] In the solid surroundings of one company dining room, sitting at a separate table, Orekhov himself was finishing his coffee.

"Petr Ivanovich," the figure of the editor of the rayon newspaper, Zuyev, appeared next to him, "may I join you?"

"What do you want?" was Orekhov's usual question, but this time, recognizing his blunder, nodded to the other chair.

Zuyev quickly sat down and, peering in all directions, said quietly, out of one side of his mouth:

"It is about glasnost...."

"Well?" Orekhov continued to drink his coffee like a gourmet.

"It is about how to knock off...."

"Knock off what?" Orekhov did not understand.

"Well, to adjust," Zuyev explained, "the plan...for glasnost."

Petr Ivanych's appetite seemed to be spoiled.

"Do you understand what you are saying?" he almost bellowed, which caused all the people around them to turn in their direction. "What can a plan for glasnost be? Do you understand what glasnost is?"

"I understand," Zuyev sunk his head into his shoulders, feeling the gazes around him on his skin.

"What?"

"That is when out loud...."

"Not concealing anything!" Orekhov corrected him. "The truth! And what can be the plan for truth? There cannot be a plan for truth! The truth cannot be decreased or increased."

"It cannot," Zuyev agreed humbly. He waited until Orekhov calmed down and added: "But we have a small newspaper...."

"Well, so what?"

"We cannot print all the truth—there is not room...."

"Expand the format."

"We do not have the paper for that."

"Yes, there is a problem with paper," Petr Ivanych agreed.

"I will tell you what, Zuyev, in this case we will find paper for you," Petr Ivanovich decided and returned to the coffee he had not drunk yet.

Zuyev was taken aback and also drank some tea out of his glass and began to fuss again:

"You know, for us, Petr Ivanovich, the truth is not solid. If there are falsifications they are trivial and if there are thefts they are ridiculous, and as for the bribes—you yourself know—that it would be embarrassing to tell people about them. It would be a shame to waste paper on that kind of truth.... Can it be knocked off? In the central newspapers let the glasnost affect everything, as it were, the whole hog, but we can be satisfied with half measures.

"You, Zuyev, stop raving. 'Half measures'...."

"Well, one-fourth, Petr Ivanovich," Zuyev started to moan, "on the basis, as it were, of the real possibilities."

Petr Ivanovich unexpectedly lunged forward, looked to all sides and also started to speak in a whisper through one side of his mouth:

"Well, if I permit you, Zuyev, the others here will also want to ask for a slackening off...."

"But who will know, Petr Ivanych?" Zuyev whispered, retraining his joy. "It is as though my tongue were cut off. They will get nothing out of me. A grave!... I, I do not understand, that once we have glasnost we must be quiet...."

"Very quiet!" Orekhov confirmed out of one corner of his mouth.

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#### **Parkinson's Laws Applied**

18200034n Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 11, Nov 87 pp 190-191

[Article by S. Batsanov, doctor of chemical sciences and professor (Moscow): "Imitation of Parkinson"]

[Text] Many years of experience in research and communication with my colleagues have led me to the conclusion that the following laws are in effect in the scientific world.

1. The product of the laboratory supplies multiplied by the inventiveness of the personnel is a constant.
2. The product of optimism multiplied by competence is a constant.
3. The product of experience multiplied by luck is a constant.

These laws, at least one in three, have prototypes in folk wisdom: "Necessity is the mother of invention" and "Fools are lucky." I did not manage to trace the historical roots of the second law.

Following the procedure established by Parkinson, we shall formulate a number of consequences which can be utilized in practice.

Consequence of Law No 1: Beginners (young specialists) should be introduced into science not through, but bypassing rooms filled with instruments.

Consequence of Law No 2: For talks with visitors and correspondents and for propaganda of one's profession it is necessary to use young specialists and not old skeptics.

Consequence of Law No 3: When selecting an object or goal of research, for principally new methods the first word should go to the person who thinks least about this matter.

For many years I was convinced that scientific workers each day encounter the effect of these laws and therefore have regarded them as obvious, that is, as having no author. But an event forced me to change this opinion.

Several years ago I had occasion to give some lectures at the University of California. Speaking about the development of a new scientific direction, I jokingly recalled the effect of the three aforementioned editions to Parkinson's Law. They liked the joke more than my lectures, and the meeting of the American Society of Physicists in



1981 began with a slide demonstration with formulations of the aforementioned laws. In 1985 I went to the United States again and the university professors I know discussed the practical applications of "my" laws: "You know, when we want to get money from the administrators, patrons, or state bureaucrats we now send quite incompetent people. The results are simply fantastic!"

Yes, I decided, the laws should be recorded.

And so I am writing to you....

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[Text]

Dynamics and Contradictions of the Economies of Capitalist Countries (pp 138-162) (N. M. Grigoryev)

The Consultant (pp 163-177) (John McNeal)

Bicycle Transportation: The Regeneration of a City (178-185) (V. Dovidenas)

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